TRANSCRIPT

April 10, 2007

MONTGOMERY COUNTY COUNCIL

Councilmember Praisner, President	Councilmember Knapp, Vice President
Councilmember Elrich	Councilmember Trachtenberg
Councilmember Leventhal	Councilmember Ervin
Councilmember Floreen	Councilmember Andrews

Councilmember Berliner

Council President Praisner,
Good morning, ladies and gentlemen. Welcome to the Tuesday, April 10th meeting of the Montgomery County Council. Mr. Knapp will be joining us shortly, but he is away on Council business. I expect the other Council members will be here momentarily, but can we please rise for a moment of silence. (Pause for moment of silence) Thank you. Announcements and calendar changes, Madam Clerk.

Linda Lauer,
The Council is announcing today that it is setting a public hearing on the FY08 Capital Budget and CIP amendments for the Montgomery County Public Schools. The date is May 1st, 2007, at 7:00 p.m. Specific information on these amendments is available by calling our information office at (240) 777-7900. The other – we do have a number of petitions today. One – another one supporting full funding of the Library's Budget for '08. We have a petition from inmates at the Montgomery County Correctional Facility supporting the Arts Program in Class Acts Arts; petition from various residents supporting the grant application for Better Alternatives for Tomorrow; a petition from the Gaithersburg Linkages to Learning supporting full funding of the School Budget; and a petition opposing the adoption of Zoning Test Amendment 07-02 as currently proposed --that's the Buildable Lots one. Thank you.

Council President Praisner,
Thank you very much. I want to ask staff if Mr. Orlin could please clarify -- Glenn, I wasn't sure you were going to be here. I was actually -- didn't look up. But we've had some questions as to just what exactly is the agenda as far as the May 1st Public Hearing and what entities are appropriate to testify since I think there is some confusion as to just what exactly is before the Council. So can you basically restate again what Linda Lauer has said and also amplify a little bit so that my colleagues and the public understand the organizations or individuals or folks might be concerned about those specific projects since this is an off-year of the CIP? Glenn.

Glenn Orlin,
Because this is an off year of the CIP, the only projects which are before the Council are those which were introduced as amendments. These amendments can come from the School Board; obviously that's the main source of them. They can come from the Executive. They can come from the Council itself. And this packet, agenda item .5, has all of the projects in it which are before the Council. These are the only projects that are before the Council; and so if anyone wants to testify on any of these, that would be fine. But if someone wanted to testify on something which is not in here, that would be outside of the scope of the hearing.

Council President Praisner,
As far as the FY08 Capital Budget questions relative to the school system, would that not include anything that's on for FY08 since –

Glenn Orlin,
Well, the – yeah, I should go back. There are two things that you do -- one thing you do every year, which is approve the Capital Budget. And what the Capital Budget is, is strictly the appropriation for each project that needs to have an appropriation. It doesn't talk about the scope of the project. It doesn't talk about the timing of the project. It doesn't talk about really anything of substance, other than how much money can be appropriated in that year. Frankly, even though the Capital Budget is the authority given to the agency to spend, it's pretty pro forma once you know what the PDF – what the Project Description Form of the CIP Amendment says. The Capital Budget follows from that. So, yes, people can testify on any line item in the capital budget which, you know, may not be listed in here; but that's just a number. It's not appropriate to really testify about the scope of the project or about the timing of it. And frankly, I'm not quite sure what anybody would say about the dollar amount itself because it is a pro forma amount.

Council President Praisner,

Questions on that item? Ms. Floreen.

Councilmember Floreen,
Thank you, Madam President. Since you brought that up, I just wanted to get some clarification as well. You're saying this public hearing is just on the school's capital budget?

Glenn Orlin,
Correct.

Councilmember Floreen,
Okay. Maybe some language changes would make that clear. So it's MCPS.

Glenn Orlin,
That's the title. It's in all the packets. (Laughter)

Councilmember Floreen,
Yeah, I know. I'm just saying –

Glenn Orlin,
We try to be as clear as we can. This is the Board of Education's forward requests.

Councilmember Floreen,
Okay.

Glenn Orlin,
I mean the point was we –

Councilmember Floreen, 16
It's not the other things that have been identified as additions to the CIP -- because there is another list?

Glenn Orlin, 17
Right. The last set of --actually the hearings that you're having this week -- and Monday, I guess, next week -- on the Operating Budget were advertised as being for Capital -- CIP amendments and the Capital Budget for everything else.

Councilmember Floreen, 18
Everything else. Okay.

Glenn Orlin, 19
Everything but schools. In fact, when that packet went out, that made that clear. And now, here's the school's.

Councilmember Floreen,
Here's the other part. Okay, thanks.

Council President Praisner,
I just want to be clear because I think advocates for the school system may not be clear as well as to what's on the agenda as far as that date. So as the schools – as PTAs come in and are interested in signing up for the capital piece, I think we'll have to make sure that they have some guidance as to what is actually before the Council. Thank you very much. Before we vote on the minutes, I'd like to take a moment of personal privilege and congratulate our colleague, Nancy Floreen, who has been named for the second time to Maryland's Top 100 Women. It's a significant honor, and she is joined -- as far as Montgomery County recipients -- by Delegate Kathleen Dumais; Delegate Shiela Hixson; Anita Neal Powell from Rockville; Ellen Bogage; Eloise Foster -- who, I believe, still lives in Montgomery County, I'm not sure -- Secretary of Budget Management; and Judge Ann Harrington. Those are the ones that I'm aware of. If someone else is aware of other Montgomery County residents who have received this recognition, I apologize for not noting it; but I want to congratulate my colleague on this recognition which, I believe, is scheduled for early May.

Councilmember Floreen,
Councilmember Floreen Thank you very much.

Council President Praisner, 23

Council President Praisner You’re welcome. Well, you'll make it. It only happens one year at a time, so it’ll be fine. (Laughter) We have minutes, Madam Clerk?

Council Clerk,
Yes, the minutes of March 19th and March 20th.

Council President Praisner,
Is there a motion?

Councilmember Trachtenberg,
So moved.

Council President Praisner,
Councilmember Trachtenberg. Is there a second?

Councilmember Floreen,
Second.

Council President Praisner,
Councilmember Floreen. All in favor of approving the minutes of March 19th and 20th? (Show of hands) It is unanimous among those present. Vice President Knapp, as I said, is away on Council business and will be joining us shortly. The consent calendar. Is there a motion?

Councilmember Leventhal,
Move for approval.

Councilmember Andrews,
Second.

Council President Praisner,
Councilmember Leventhal moves for approval; Councilmember Andrews seconds.
There are a series of lights. Councilmember Floreen and then Councilmember Andrews.

Councilmember Floreen,
Thank you very much, Madam President. I just wanted to draw everyone's attention to item A, which is a Resolution to create a Working Group on Transportation Infrastructure Funding. And I wanted to express my appreciation to the Vice President, Mike Knapp, and Ms. Ervin and Mr. Leventhal for joining me as cosponsors. Now that the Legislative Session has passed, we know that we continue -- there was no magic bullet yet for state money for transportation initiatives; and we shall see what comes out of any special session or certainly the works that will be in progress at the state level to address our congestion

needs. But I am determined to keep this issue on the front burner; and I think it's critical for us to bring together thoughtful, independent experts to advise us on what we can do locally to find resources to address our very challenging transportation needs. If you look at our website -- I'll mention to everyone -- you will see at the very top of the list of the Council initiatives our ten-year transportation plan. We haven't taken that up, per se, in this Council; but it's a holdover from the past. It has a long list of projects, most of which are not completed. I think I've counted up 84 pending on this list, and this does not even include all our Master Plan projects. It's a list of good intentions and hope, frankly, more than anything else. We calculated several years ago that this was many billions of dollars. With some of the projects coming off the list, it is still valued at many billions of dollars -- at minimum $4 billion and probably more like $6 or $8 (billion) with inflation. And I think it's incumbent upon us to figure out if we're doing the right thing locally with respect to how we allocate our dollars for transportation funding and what else is out there to get us out of the hole. Regretfully, this is not a new issue. Exhibit A is our report from 1994 which, if you were to read it today, you'd say, "Gee, someone wrote this yesterday," because it discusses a critical financing crisis for transportation funding -- identified a shortfall of $80- to $100 million for a transportation infrastructure over the next fifteen years. That was 1994; and, like so many things, it sat on the shelf. None of its initiatives were enacted. It's 15 years later – no, 13 years later; and the problem isn't any better. We've been trying over the past four years to find solutions; but I think we need to work harder. It's going to be a challenging budget year. We know that here. Lots of competing priorities. But I do believe that our transportation infrastructure is such a core function of local government that we need to really make this a priority as we think about creative ways to address our funding challenges. So I appreciate that this has made it to the agenda. I know that the MFP Committee is going to take a peek at it and offer its best advice on how we can move this forward. But I'm very pleased that we're in a position at least to start focusing this in a nonconfrontational way, in a case where we're not talking about this project or another project, but looking at how we can get ourselves positioned to move these projects forward. I think from preliminary conversations, with the challenges that this state is facing, we're going to be expected to pick up more and more of the tab for projects whether we like it or not -- issues including capital expenses for transit initiatives. And I think we better -- if we don't get started now, we're going to be nowhere when these issues come to the forefront, in terms of really making a decision. So thank you very much, everyone; and we shall see what we can put together and deliver for our County residents. Thanks.

Council President Praisner,
Councilmember Andrews.

Councilmember Andrews,
Thank you, Madam President. I wanted to comment briefly on item G, which is the Receipt and Release of the Office of Legislative Oversight's Report Linking

MCPS Workforce Data to Council Decision-Making. This is another fine report produced by our Office of Legislative Oversight; and it contains a lot of interesting information. Just a few items as examples: It has, for example, statistics on the number of MCPS personnel that live in the County, 74%; the number of internal hires for MCPS administrators, which is 91%; the percent of teachers who have been in MCPS for more than ten years, 37%; average salary for new teachers in FY06, $46,971; and the turnover rate of teachers in the 8% range each year for the past -- from FY02 through FY05, which are the last four years' data that’s available, I presume. So lots of other interesting information there. Our Office of Legislative Oversight continues to provide us with good information and recommendations; and I look forward to working with my colleagues in evaluating the proposal and finding some recommendations and applying it to our decision-making. Thank you.

Council President Praisner,
Okay. I just want to make a couple of comments about several of the items; but the issues of the work programs for the interagency groups have become pretty pro forma, as far as the Council is concerned and the agencies, to allow us to talk about how we’re doing training of cross-agencies and how the procurement process might be improved. There also, obviously, will be the other work from the other interagency working groups. We had a little conversation this morning with the County Executive about the issue – I think someone introduced the question of stove pipes -- might have been Councilmember Elrich. And I think we, as a Council, will need to look very aggressively for the kind of collaboration and cooperation from a programmatic perspective or from a common-function perspective across departments and agencies in the future. These work groups may take -- or work teams, interagency teams -- may take on more of a meaning and import in the future if we start to see ways in which we can be more efficient with technology and achieve greater productivity. The other comment I wanted to make is about the release of the workforce data for Council decision-making. And I think it's interesting to look at that information. The question I still have over the long haul, though, is how -- taking the data provided is -- it can be better utilized by the Council to make more informed decisions. That was another piece of conversation this morning. And both rigorously scrubbing and reviewing the data being provided by different agencies and departments in order to have not only a different perspective on that data, but a confidence level on the data, becomes an issue that I think we’re going to have to look at in the future. Oh, another light has appeared. Councilmember Berliner.

Councilmember Berliner,
Thank you, Madam President. I just wanted to comment briefly with respect to item C --which relates to the Transportation Fees, Charges, and Fares -- and observe that it is my hope that at an appropriate time, which won't be probably for this particular budget cycle, that we do look at our parking fee structure. I’ve had conversation with staff with respect to it; and I think it’s time, for those of us who

are concerned with respect to issues like global warming, that we make sure that our parking fee structure is appropriate; that we're getting the revenues that we should get; that we are encouraging the type of behavior that is appropriate. I believe these modifications are a step in the right direction, and certainly want to call attention to the fact of the County Executive's proposal to eliminate ride-on fares for seniors and people with disabilities throughout the day that is incorporated in this particular resolution. So I think it's a positive step and look forward to more work in this area.

Council President Praisner,
Okay. I see no other lights. The consent calendar is before us. All in favor? (Show of hands) It is unanimous among those present; Vice-President Knapp will be here shortly. We now move into District Council Session. We have one item, an Introduction of Zoning Test Amendment 07-04, Accessory Structure – Standards, sponsored by Councilmember Elrich. I need a motion to establish a public hearing for June 12th at 1:30 p.m.

Councilmember Elrich,
So moved.

Council President Praisner,
Is there a motion? Councilmember Berliner, second, and Councilmember Elrich. I see some lights. Councilmember Berliner and then Councilmember Floreen; and if the sponsor wants to speak to this, I certainly would recognize him as well; and Councilmember Leventhal. So Councilmember Berliner.

Councilmember Berliner, 41
I just want to thank Councilmember Elrich for his leadership on this issue and indicate my desire to be a cosponsor.

Council President Praisner,
Okay. Councilmember Floreen.

Councilmember Floreen,
Thank you. Two things, really. I wanted to make sure that the advertisement for this particular Zoning Text Amendment and the language is widely circulated to the communities that will be affected by this. And I'm not sure what the best way to do that is, in particular, but certainly through the Potomac Almanac – and I'm not sure. But I would urge that we would make best efforts to bring this to the attention of all the folks who might be affected by it. And also -- whenever we get to this -- Jeff, could you ask for a GIS map or something that would show the properties that this affects?

Jeff Zyontz,
No problem.

Councilmember Floreen,
Thanks.

Council President Praisner,
Councilmember Leventhal.

Councilmember Leventhal,
If Mr. Elrich wants to speak, I'll yield to him.

Council President Praisner,
I was going to let him go last.

Councilmember Leventhal,
Let him go last -- very good. I understand the circumstances that gave rise to this ZTA, and I do not object to it. I'll obviously look forward to the PHED Committee's recommendation when it works on it. The point I wanted to make is very simply that I want to commend the PHED Committee for its earlier decision not to go along with the Planning Board's recommendation that we significantly restrict the power of the County Council to adopt Zoning Text Amendments. You know, there's a lot of misunderstanding, I think, about how Zoning Text Amendments are used; obviously, they can be used for a wide variety of purposes. The zoning portion of the County Code covers a lot of territory, and so I appreciate Mr. Elrich's hard work on this. As I say, I know the circumstance that gave rise to it. We are going to find that we do need to use Zoning Text Amendments from time to time as one of the mechanisms we have to address real problems in the County. So I do think it's important that the Council not give away its ability to influence positive change and correct problems, even though we are sometimes urged to do so in ways that are -- come cloaked in something that sounds like good government. So I congratulate Mr. Elrich for his leadership and look forward to the discussion on this important piece of legislation.

Council President Praisner,
I'm presuming that Councilmember Leventhal is referring to suggestions that were raised by the Planning Board that one way to deal with the Zoning Ordinance might be to regulate the timing or the frequency of council member introductions of Zoning Text Amendments as a piece of the complication of the current Zoning Ordinance and our desire do have it rewritten.

Councilmember Leventhal,
The Council President and Chair of the PHED Committee is exactly correct. The Planning Board suggested that we should really restrain ourselves from introducing Zoning Text Amendments; and the PHED Committee unanimously and wisely recognized that Zoning Text Amendments are often an appropriate exercise in our ability to address real problems in the community -- as this Zoning Test Amendment, now being introduced, is a good example.

Council President Praisner,
Okay. Councilmember Elrich.

Councilmember Elrich,
Yeah. I'm happy to be able to introduce the Zoning Text Amendment, and I'm aware of concerns about overusing that as a process. This Council's had discussions about really wanting to get into the Zoning Code, and encouraging Park and Planning to get into that and also into more timely reviews of Master Plans. But the issue being addressed here wouldn't be solved by changing the Master Plan or by changing the kind of -- in the zoning laws, the way we would normally think about, this is really, you know, something that has come out of the concern for the C&O Canal and the vistas that some people thought were protected by the federal government; and it turns out the federal government is saying, "We've got these easements, but they really don't amount to very much. And we need to take this opportunity, I think, to strengthen them and to preserve the canal for everybody. So I think what this ZTA will do is basically preserve the conditions along the canal. It's not going to diminish anybody's economic use or really change the value of anything. It will make the canal, I think, the enjoyable treasure that it is today and help make sure that it stays that way in the future. I look forward to the public hearing and the comments that'll come from that.
Council President Praisner,
Okay. We have a motion before us to establish the public hearing for June 12th at 1:30 p.m. All in favor? (Show of hands) Unanimous among those present. All right. We move, only five minutes late, to an overview of the FY08 Operating Budget and call upon our Staff Director, Mr. Farber, for that review and comment. Steve?

Steve Farber,
Thank you, Madam President. You have before you the packet that I prepared. It has an extensive amount of information; and I don't want to go through all of that, of course. What I'd like to do is what the County Executive used to say when he was on the Council. He liked to "bifurcate" things and go to the "gravamen" of the matter -- appropriate terms for a law professor. And that's what I'd like to try to do briefly today. We're 37 days today from when the Council will have its "reconciliation day" on May 17th.

Council President Praisner,
Pure hell. (Laughing)

Steve Farber,
So we have a marathon sprint between now and then. I wanted to say at the outset that I think it's always worth recognizing the tremendous amount of work that a lot of people have done on this budget: of course, the County Executive and his staff -- but also the governing boards and the staffs of MCPS and the college, Park and Planning, and WSSC. There are an awful lot of documents we have, and a great deal of work has gone into them. We may be only 500 square

miles in Montgomery County; but we have a population, it's useful to remember, that is larger than that of Wyoming or Vermont or North Dakota or Alaska or South Dakota or Delaware or Montana -- seven states. We're an enormous polity. Our gross domestic product -- if we were to measure it -- I'm sure is larger than that not only of seven 7 states, but probably double that number. We're a remarkable place. And so it's not surprising that we have a large budget, and we do. The County Executive's recommended budget on a total basis is about $4.1 billion, up 6.7% from the current year. The aggregate Operating Budget -- which is the one we focus on because it's the budget we use for spending affordability, the tax-supported budget -- is about almost $3.7 billion, and that's up 7.5% from the current year. The County Executive emphasized in his message, and has repeatedly stated, that he wants to have a budget that is sustainable; and he has contrasted this budget with, for example, the budgets of the last three years which were up respectively 8.1%, 7.7%, and last year 11.1%. And certainly by comparison with those increases, the 7.5% increase this year is more sustainable; but at the same time, that 7.5% is more than double the CPI increase of last year -- which was 3.6% -- and it's also larger than the increase in the budgets on average of the last 12 years, which was 6.7%. The Executive, as you know, has made a number of proposed reductions in what the agencies have suggested. And our system is different from that of a presidential budget or a gubernatorial budget because we do have these outside agencies with their own governing boards who make budget proposals of their own. What the Executive has done is to cut, from the three other agencies, a total of $36 million: nearly $20 million from the school system, $7.5 million from the college, $8.5 million from Park and Planning. And apart from that, with respect to WSSC, he has recommended support for a rate increase of 5.3%; but he also feels that WSCC's expenditures should be cut by nearly $7 million. The interesting thing about the Executive's budget every year is that the Executive does not specify where these reductions should come from compared to the agency requests. That's because the Executive is presenting a macro picture. What he is doing is suggesting what he thinks the appropriate level of expenditures for different agencies should be as part of the whole picture, and that's certainly an understandable way to go about it. But someone has to decide between the agency requests on the one hand and the levels that the Executive has set for the outside agencies on the other hand, and that body is the Council. This is where the rubber meets the road. This is where the final decisions -- the specific decisions have to get made. Now, there's one exception this year. On April 6th, as you know, the Executive sent over a memo concerning the School System's budget; and he proposed a number of areas that could be looked at to try to close the gap between the Board's request and his recommendation, which is $19.7 billion less. In Mr. Duncan's 12 years, he never did that. What he would do would be to stipulate a number; and in 9 of the 12 of his budgets, that number actually was less than what the Board requested. Only three times did he fully fund the Board's request. But he did not specify where the reduction should come from; he left that to the Board of Education and to the Council. But interestingly, Mr. Duncan's predecessors had a different understanding of state law. They understood state law to require the Executive to be specific. And so what you would see, in the years before 1995, is what were called “denial letters” or “denial memos” in which Executives would lay forth very concretely what they would recommend for reduction if they were coming in with a number lower than the Board of Education. And yesterday I came across one such letter from 15 years ago, from April 1992, from County Executive Neal Potter to the Council President – it was then Bruce Adams. It was a 20-page memo in which in excruciating detail, and I use that term advisedly, Mr. Potter laid out a series of very specific, detailed recommendations for reductions in what was then – as some of us remember -- a very, very hard environment. His reductions totaled nearly $50 million in a budget that was then $768 million. It was a 6.5% reduction. And what's interesting to note is that somehow over time, executives have varied from that pattern which previous executives thought was required by state law. It's an interesting contextual point, and I will distribute this afternoon Mr. Potter’s memo of 15 years ago so that you’ll have a sense of the way it used to be done. One of the key issues in this budget is the income tax. If the income tax had not risen incredibly, by 19.2% over the current year, this budget could not have worked; but it did, against all odds, 19.2%. Now, we have not seen an increase that large in memory. Over the last decade, the income tax has risen at an average rate of 7.3%. It is true that in five of those ten years, there was an increase of between 10% and 14%; but it's also true that in fiscal year '03, income tax revenues fell by 9.1%. In other words, it doesn't always go up; because the business cycle hasn’t been repealed. So we have an average over the last decade of 7.3%; this year, it’s up 19.2%. And I think one thing we are can say with certainty is, In the next year or two or three, we’re not going to be seeing similarly large increases. There is a pattern of slowing revenue growth. And it's interesting to look at our whole revenue picture. We get about 30% of our revenue from the income tax; we get another 30% or so from the property tax; and the remaining 40% comes from things like intergovernmental aide, transfer taxes, and so forth. And those are either volatile or they don't rise very fast. And so what we really depend upon, if we’re going to stay at the charter limit on property tax, is continued growth in the income tax. If that falters, as it did in the early 90s and as it did the early part of this decade, then we do have a problem. And that, I think, defines in a nutshell both what our revenue and expenditure challenge is. The Executive has a very interesting proposal this year with respect to the property tax. He is a strong proponent, as you know, of the chart limit which limits the increase each year in property tax revenue that the County may collect on existing real property to the rate of inflation. It doesn’t include new construction. In 1998, Mrs. Praisner proposed something called “the offset credit” which lets you provide a credit against your property tax if the income tax rate in the County is above 2.6%. And we have used that offset credit in each of the last two years as well. Two years ago, Ms. Floreen pointed out something that some of us had not observed; and that is, that if you use the offset credit instead of cutting the rate, you actually will lose less property tax revenue. The reason is that when you cut the rate, you cut it not only on existing real property, which the charter limit does apply to, but you also cut it on new construction and personal property which the charter limit does not apply to. This was an epiphany; and it’s an epiphany that has served the Council well in the last two years because it gave us more revenue than the Executive had proposed. But this year, the Executive has taken the epiphany away.

Council President Praisner,
No, he's sharing it. (Laughing)

Unidentified Speaker,
With himself.

Steve Farber,
Right. Right. As I told him, he's taken the low-hanging fruit -- but then as I went through the budget, I realized that he’s taken the mid and high-hanging fruit, too.

Council President Praisner,
Some of the branches too.

Steve Farber,
But this property tax credit – the credit is $613, and it has another very interesting effect. Because you concentrate the property tax relief on owner-occupied principle residences – of which there are about 243,000 in this County – and because it's a flat dollar amount, it's enormously progressive in its impact. And if you looked at the tables on circles 52, -3 and -4 in my packet, what you will see is a rather remarkable thing; and that is that the Executive’s proposed $613 property tax credit means that if your property is assessed – if you have a taxable assessment of $275,000 -- your property tax bill will actually be 8.2% lower than it was this year. In fact, all the way up to a taxable assessment of $475,000 for your home, your property tax bill will actually be lower in '08 than it was in '07. So this a very significant proposal -- one that we'll be looking at hard. A question about the budget that Mr. Leggett has raised repeatedly is sustainability, and there are going to be challenges to sustainability. We have very substantial labor agreements -- three-year agreements at MCPS and with the FOP and MCGEO here in County government. We have a delayed start to many of the new positions – which means that they’ll have a long tail, and they’ll hit us harder next year and the year after in terms of their cost. We talked this morning at breakfast with the County Executive about the GASB issue – retiree health insurance benefits; and whatever schedule for implementation is selected, it's going to cost us an incremental amount of about $200 million per year above and beyond the pay-as-you-go amount that we’re already are putting in. That is a tremendous amount of money, in effect, to take off of the table from other things like schools and police and libraries; but it is an obligation that we will have to meet, hot or cold. And finally, there’s slower revenue growth. The controller announced last weekend that tax receipts for the state were down 2% in March, including 3% for the sales tax. So we know there is slower revenue growth. These are the big challenges to sustainability for us. Finally, as we look forward to this coming year

-- '09 -- after the '08 budget is over, there are two things we have to look at. One is the base budget. There was some discussion of that at breakfast this morning, I think. Both the Executive and his staff and the Council and it's staff have not yet had a chance to really get into the base, as Mr. Elrich pointed out; and we need to do that. And finally, there's the issue of productivity. We've got to get more output; because if we don't, we'll not be able to sustain the level of compensation increases that our employees both want and deserve. So those are some of the highlights of my packet. Madam President, I'll be happy to answer any questions about it.

Council President Praisner,
The first light is Councilmember Ervin.

Councilmember Ervin,
Hi, Steve. Thank you very much for your briefing. You mentioned the word "sustainability" several times throughout your remarks; and I want you to talk a little bit about what that means to you in the context of this budget because you talked about prior-year budgets and the percentage increase -- especially in the last year of Mr. Duncan's budget. Talk to us a little bit about what that means -- this notion of sustainability -- because, you know, I think it depends. So if you could tell me what that means to you.

Steve Farber,
Well, I think sustainability really has to do with whether you can continue to meet the obligations that you've incurred -- whether the spending base that you create, year by year, is something that you can continue to support in the future. I think Mr. Leggett's perspective is that, as he says, in the last several years, the increases have been rather large -- particularly last year, the 11.1% increase in the budget -- and that to sustain that over time, given our revenue base, is a challenge. I think there are continuing challenges to the sustainability in future years, particularly if we happen to run into a less robust economy than we've had in the past several years. Four years ago, in the first year of the last Council, we had a very rough budget the first time around; and all sorts of very difficult decisions had to be made. There were major tax increases, major spending cuts, and there was even a four-month delay in negotiated pay increases -- something that no one wanted to see. So if your economy does slow down, then you're going to have sustainability problems unless you keep your spending under control.

Councilmember Ervin,
One other question, and that has to do with the specifying of where the cuts should be made. You went into some detail about County Executive Leggett's memo that came to us last Friday, where he specified cuts in the School System budget. Well, now the budget is our budget; and we're going to have to deal with where we think we can find those cuts -- whether or not we agree with the County Executive position. So I'm just really interested in why you went into such

detail about prior executives, and why is this such an important thing for us to pay attention to?

Steve Farber,
Well, I think it's historically interesting. Basically, there was an understanding by all prior executives before Mr. Duncan, that state law actually requires the executive to specify, if he happens to disagree with the Board of Education's request, how he would reduce it. And year after year after year, there were these so-called denial letters that came to the Council from the County Executive, including the one I'm going to circulate this afternoon from Mr. Potter fifteen years go. Mr. Duncan had a different interpretation of the law, and he did not specify reductions in the way that his predecessors had routinely done. Mr. Leggett's memo was really more of a menu; it's not, as you'll see when you read Mr. Potter's memo of fifteen years ago, it's not really the same kind of thing. He is suggesting a number of areas for possible consideration by the Board of Education and the Council, but it's not really the same kind of thing. But it really is a matter of interpretation of state law; and before Mr. Duncan, every County Executive interpreted the law to mean that he had an obligation to be specific.

Councilmember Ervin,
And one final point, you said something about sustainability -- you said something about as long as we're able to meet our obligations. So in Mr. Duncan's last year in office with the 11.9% increase in the operating budget, was the County able to meet its obligations; and would that mean that that was a sustainable budget?

Steve Farber,
Well, Mr. Duncan actually proposed an 11.5% increase; the Council approved an 11.1% increase. Sure. I mean, the budget was fundable last year; we were able to do that. The question is, If you increase the base at that rate, then are you able, over time, to continue to meet that obligation? And on that, we'll have to see. We do know that four years ago, in the first year of the last Council, what the Council found was that it wasn't able to sustain the spending base that had been created in the years before it. And that's why that Council had to raise taxes on income, energy, and telephones. That's why that Council had to cut program after program. And that's why that Council very reluctantly delayed negotiated pay increases by four months. So you can run into situations like that --
Councilmember Ervin,
And we'll be in that situation in the next year or two -- is that right? – where the County Executive is going to have to raise taxes. Is that correct?

Steve Farber,
Well, I think that's something we'll have to see. We have to see what happens to our economy as a whole. We'll have to see what happens in Annapolis where revenues have been falling, where there's a structural budget deficit, and where

there is talk about a summer or fall session to try to address those issues. But I think it's very clear that for the County, the fiscal challenges ahead are real.

Council President Praisner,
Councilmember Berliner.

Councilmember Berliner,
Mr. Farber, on page 2 and 3 you note that estimates of resources have changed dramatically. March 2007 estimate of resources is $90 million more than November. This budget presumably takes that fully into account, correct? My question to you is, Are we going to have any estimates after March such that this $90 million may become, if you will for purposes of this conversation, $110 million or $100 million or some other number; and if so, are we going to get that in time to influence our consideration of the budget?

Steve Farber,
The County estimates revenues twice a year -- in November for the December spending affordability process, and then again in March for the Executive’s recommended budget. Those are the only times that the County -- the Finance Department -- estimates revenue. Council after council has adhered to that practice so that we don't try to make -- tweak estimates in between. That has been our pattern, and it has served us well; and I don't think there’s any prospect of departing from that at this point.

Council President Praisner,
Let’s see. I lost my list. Councilmember Leventhal.

Councilmember Leventhal,
I just want to make a couple of quick observations. Each year, Mr. Farber presents a very careful and thoughtful and thorough and gloomy forecast. (Laughter) And we appreciate his good work.

Council President Praisner,
That's his job.

Steve Farber
Someone needs to.

Councilmember Leventhal,
That's right. We appreciate his good work. So -- and I also appreciate his opening comments, that this is a remarkable place. We have a very large and resilient economy; and to date, we have found that we’ve managed to do relatively well. There -- I do believe there is wiggle room in each budget; and public expectations are very high for every agency. On the other hand, there are services that we have found we can move in and move out and increase and decrease with, you know, some complaints; but as we look at uncertain

prospects, Ms. Ervin, we don't know what’s going to happen next year. Next year could be very grim, or it could be very bright. And there’s no – it just isn’t possible at this juncture today to know how much we might have to raise taxes from a year from now or whether we might have to raise taxes a year from now. So the question each year comes, What is a level of service that we reasonably believe we can afford and is appropriate and meets public expectations -- understanding that we will never 100% satisfy public expectations. The other point I wanted to make is this. Personnel is the big, big, big, big, big, big, big issue here. And I strongly believe, and have always said, that I want to honor the negotiating process. That is, that when labor and management come together and bargain and put everything on the table and sincerely and honestly reach an agreement, that my commitment is that I will honor that agreement. That does not mean that my role as a Council member is to put a thumb on the scale either for labor or for management. And I would say to Mr. Firestine -- whom I respect a great deal -- and I would say the same thing to President Navarro and Superintendent Weast if they were here, labor and management both have jobs to do. So although I will vote to honor negotiated agreements, it is always my hope -- on behalf the taxpayers and as a steward of county government -- that management will come to the table and strike a tough bargain; that management will come to the table and negotiate and be mean SOBs if need be; and that labor will advocate strongly for the needs of the people that it represents, for fair wages and good benefits and an honorable retirement. But that a negotiation implies that there are two parties seeking to represent the interests that they’re there to represents; and on behalf of management, that does mean the taxpayer and that does mean keeping costs sustainable. So it is always my expectation that when I receive, as a legislator, a negotiated agreement, that a real serious, sincere, and tough negotiation has taken place. And as we look to the future, my hope is that when management negotiates agreements, that management plays its role and that labor plays its role; but we do look to management to -- it doesn't have to be adversarial, but it certainly does need to be a real negotiation; that is, on the one hand, frankly, one side is trying to keep costs down and another side is trying to negotiate the very best possible deal for its members. I will leave it to others to judge whether that balance was present in the agreements that come before us now; however, I do intend to honor my commitment to support agreements once they are bargained and come to a successful conclusion.

Council President Praisner,
I’d like to comment on that because I agree very much with what Councilmember Leventhal has said. The question of course is: If we only see the bottom line/end result of the agreement, we don't really know what was given and what was gotten unless those questions are asked and are proffered. There was once – and, of course, that’s for the elected officials. I’m not sure that the general public, removed even more than we are from the collective bargaining agreement, has a full appreciation of what happens in the give and get of collective bargaining. There was a time in the past when at least one experiment was used for public observers to observe one collective bargaining process -- not to be able to

comment during it and to keep a code of silence during that process -- but afterwards, to have a perspective that at least shared or affirmed whether there was a give and a get in that conversation. I think that's an interesting process. There are some places where, because of open discussion, rules that there is less private in the conversation of the give and the get. The other complexity, that I have to say adds to the equation, is there's often a third person in the room that is not accountable either to the members or to the taxpayers or to elected officials; and that's the binding arbitration process where that individual, chosen by the parties, has a great deal of power and control over the outcome of that negotiation without ever appearing anywhere or being publicly accountable in any way. So binding arbitration -- binding interest arbitration, and not beyond binding arbitration in its narrower sense -- I think has added a significant equation to the issue that removes it even more from an understanding of the dynamics and the dialogue of what goes on during a collective bargaining process. Having not sat at the table in negotiations, but having gotten reports back from a bargaining team, and from having understood the layout of the process for collective bargaining, I think the complexities of it have increased. And as we've gotten further and further removed from it, the public appreciation and understanding or the public opportunity to comment on what it thinks are the priorities are less and less able to be understood in relationship to the collective bargaining agreement. So I think those are very good points that Councilmember Leventhal has made about expectations for the collective bargaining process -- of the serious and rigorous and tough negotiations. That only comes -- confidence level, I think, comes from knowing, "Well, what did you put on the table; and what did you get out of the process?" That is a management objective versus an employee objective -- and to understand that balance for a true, meaningful collective bargaining. Councilmember Knapp.

Council Vice President Knapp,
Thank you, Madam President. And I thank Mr. Farber for his overview. Just a couple questions and a couple comments; but I also thank Mr. Leventhal for his remarks because I think that was very well stated. And I think it's unclear to folks kind of how that proceeds and kind of what happens at the end of the process as we kind of sit at the bottom of the hill and all the things that have occurred. And I think that I very much agree with what -- how you laid that out there; and I thank for that. One of the things that frustrates me and has frustrated me for the last four years sitting here is, we always start this process and we start from the basis of this notion that we are – we have to make cuts in order to get to a budget. And so we go out there, and we talk to people at various public meetings; and they say, "Well, I understand you guys have to cut the budget." And I was at a meeting -- I guess it was last week -- with a group of PTA folks; and I said, "In the four years I've been here, I'm not aware of any budget that has been reduced at all." And they all look at me with surprise and shock, and they can't believe that. (Laughing) So it's important, I think, for us to recognize what it is that we're talking about, because typically what happens is, the County Executive sends a budget over, and the Council has started its discussion from that point -- which is

some point well above whatever it was the Council approved the preceding year. And so when we talk about reductions or cuts, it's from a point anywhere from 6% to 11% above the preceding year's budget; and so they aren't cuts at all. They are just different rates of increase. So I think it's important for us, as a new Council -- I'll say it again – that we recognize what it is that we're really doing: that we have a budget; we have a budget process we're going to begin; and that we, as a Council, can start that discussion from anyplace. We can start from the County Executive's budget. We can start from what the Council approved last year – you know, recognizing the increase in supplementals. But that that's up to us, and the language that we use will very much determine the way that the community engages in that conversation. And so I think it's important for us to be mindful of that. One of the things I've talked to the Council President and to Mr. Farber about is starting, as our staff on the fifth floor is putting together their budget packets, is to start this year looking at what our approved budget was from last year and then looking at the recommendations from the County Executive, the Park and Planning, the college, MCPS; and we can use that. So we have a floor; and we can pick and choose as to which of the recommendations we think are worthy or which places that we may want to look at the base and say, "You know, this program isn't doing all that we'd hoped." And we can actually begin to reduce something from that base budget; and we may want to reallocate those funds for something else, but we have that discretion. But that becomes much more difficult for us to do when we start with the County Executive's budget as our floor, as opposed to the recommendation and the ceiling. And so I just put that out there for folks' consideration as we begin this process. One of the questions I was – wanted to say. I didn't see. When we received the budget from the Executive, there was reference to a number of reductions from the base budget before they had actually formulated the budget. I saw Mr. Beach's memo from the twenty – twenty-first – there was one in here that talked about expenditure reductions from the FY08 requests, but I didn't see anything that talked about reductions from the FY07 approved budget. Did I miss something, or is there a reference in here to the actual reductions from the base?

Steve Farber,
No. I think you're right, Mr. Knapp. That memo is on circle 61. And I think there was reference to $38 million being reduced from the base in one of the statements; but I think it's perhaps more accurate to say that what was reduced from the agency requests, apart from the schools, was -- as I mentioned earlier -- $7.5 million from the college, $8.5 million from Park and Planning. Those are not really reductions from the base; they are reductions from the agency requests. So that's a total of $16 million right there. And then Mr. Beach's memo refers to another $22 million from County government; and I think that's really a combination of reductions from the agency or department marks on the one hand, and perhaps there may be some of that from the base. But I think it would be a misnomer to say that $38 million was cut from the base.

Council Vice President Knapp,
If there are budgets in which there were base reductions, that would be good to know; and, of course, that $38 million. And so it would just be helpful, if that exists, just to see where -- in which departments or agencies there were actual base-budget reductions – if we could get that. Also -- and Mr. Berliner kind of touched on this one a little bit -- one of the challenges that we’ve had – and I know that Ms. Floreen has wrestled with this one as well – is understanding how much money we actually are talking about that we have to deal with. We did the spending affordability process; but then we end up with the actual kind of “cash-on-hand,” if you will, that we actually know from an income tax and various other sources. Could you -- or is there in here a place where it talks about, given various scenarios, how much money that Council -- not above or below the Executive's budget – but from last year's budget, how much additional revenue or resources do we have that we have at our disposal, staying within the charter limit, to allocate for this fiscal year? And that obviously doesn't mean that we need to spend everything that we have available to us, but to at least understand what level of resources we have available to us.

Steve Farber,
Yes. There is the spending affordability table and –

Council Vice President Knapp,
Right.

Steve Farber,
-- and what -- that is on circle 20; actually, the updated one is on circle 21. But basically the resources -- the total resources, whether circle 20 or 21, is in the neighborhood of $257 million more that’s available to fund the '08 budget than was available to fund the '07 budget. And so that is the amount that we’re dealing with.

Council Vice President Knapp,
And that assumes -- but that assumes that the property tax, as a credit –

Steve Farber,
Yes.

Council Vice President Knapp,
Okay.

Steve Farber,
Yes. This is predicated, you’re right, on the Executive assumption -- it assumes the property tax as a credit, and it assumes, basically, the revenue estimates that the Finance Department made in March.

Council Vice President Knapp,

Okay. So we still have the question that's kind of outstanding we wrestled with last year – is, we know what's the actual income tax receipt number which, at least the last couple of years, generally show up after the budget's done; and people go, "Oh, huh, that's an interesting number." Okay. So we have $257 (million). Okay. Now, I guess just in closing, I would urge -- and again, to know what we have and to know how much we will spend are different things. We don't necessarily need to spend all that we have available to us. I just think it's important for people to know what it is that we have and what the variables are that kind of take that number up or down. And I'm pleased that at least in the Executive's recommended budget, that it's -- he has suggested staying within the charter limit, because I think we've done that for the last three years, and we need to continue to do that. I think that's very important for us to approach. But, again, I guess I would just urge us, as we take this step forward, to recognize the language that we're using and, to the extent possible, build upon where we were – where the Council approved our budget from last year, and take all of the recommendations that we have, with all due respect to the County Executive and to everyone else who has made the various recommendations, and that we judiciously look at those. But that we don't do ourselves a disservice and put ourselves in a hole and give ourselves a half percent on the margin to have a discussion about, but really look at last year's budget. Do we want to spend the $257 million that we available to us? And look at the various priorities and then to be very clear as to what our priorities are. It's been a challenge for us -- is to say, "Here's where we want to establish our sets of priorities"; and I know we have taken some efforts over the last couple of years to try to address that in the fall timeframe, and I appreciate Mrs. Praisner's efforts in joining me to get that done. But it's always a challenge, once you actually get to the budget, to try and adhere to some semblance of priorities. And I know that in the maintenance and infrastructure piece, it's something we need to look at -- but also looking in the area of IT. There's some very nonglamorous things I think we need to look at very closely in this year's budget and try to get a handle on in order to be able to make real progress in the out years. And so I thank you very much for your efforts.

Steve Farber,
I think your point, Mr. Knapp, about starting from the current '07 budget is a good one, and that's what the analysts are doing. Your suggestion, I think, was right on point. And I know in the Education Committee what you are doing, starting with your first meeting yesterday, is to take a bottoms up approach rather than a top down approach so that you understand exactly what's on the table right now and methodically go through that, rather than sort of looking at the top figure here and all the debate that's been going on. And I think that's the right way to go.

Council President Praisner,
If I can piggyback on that just for a minute as to the OMB documents as far as the base from the Executive's perspective of what was a reduction from the current budget, that would be helpful to know for all agencies obviously. So can

we make sure that the analysts have programmed that in? It's an additional question than the one we've asked them to do -- which is start with the '07 budget -- but to ask what reductions have been made in the '07 budget, either through productivity or through restructuring or through elimination. To that end, there are elements of the '07 budget that either we or the agencies defined as "one-time." And we usually get a list that is less than perfect from whether it's really a one-time only – one-time is in the eye of the beholder. It is both the giver and the receiver's view as to whether they're going to get it again the subsequent year or whether it's going to be funded in a subsequent year. But we do need to, I think, look at that issue and the assumptions made in that promise. We've often used that reference to grants; but I don't think grants are the only place that assumptions of "there's no ongoing commitment" is associated with it. Finally, we do get a position report document that shows the positions added during the year that may or may not be in the budget and not supported in the budget as '07 budget-approved. I think a piece of that will surface if you look at what was in the '07 approved budget by the Council and what changes are being proposed. The analysts should be able to tell us -- whether through supplemental, which obviously is something we consciously did, or through personnel approvals and budget approvals -- positions have been added; mostly in County government, but also possibly in Park and Planning and the college. The positions would have been added without our formally approving the budgeted position. I know how frustrating it can be to say, "Well, that's a new position in the new budget, and therefore perhaps we can delay its implementation or not do it" only to be told, "Well, we hired that person four months ago." So it makes it an even greater challenge to take a live body and cut a position. No one wants to do that. And I don't think – I think the Council actually has tried be very compassionate in facing live people in actual positions, so I hope that we'll be able to look at that issue. Councilmember Elrich.

Councilmember Elrich,
Thank you. First of all, I want to thank George for his comments about the contracting and negotiating issues. I think that they're very much on target. I will say that in response to what Ms. Praisner said about the -- that ghost of binding arbitration in the room, I mean that's a tradeoff that we've made as a society between binding arbitration versus the right to strike. You know, public employees gave up the right to strike; and the tradeoff for that is that they do get binding arbitration. So the reality is we would have one or the other specter in the room, and I frankly prefer the specter of binding arbitration to the uncertainty of dealing in an environment where we would be dealing with labor stoppages and the inability to deliver County services. So that's just an aside on that. I want to say something about sustainability because I think too often when we get into budgets, sustainability comes down to the ability to pay for things. But the Council has the responsibility to create a sustainable County, which I understand what we really mean by sustainability, and that's just not the tax rate; but that's our ability to deliver services to make this a desirable place to live. Sustainability is not just what people pay, but it's also what people get; and, you know, the

ability to keep people -- retain population in the County -- have people view this as a desirable place to be comes from our ability to provide services that make this sustainable. And so I think we all need to think about not just the tax rate and the impact in that sense on people, but also what we do with the money and the impact on our community. So sustainability to me has a broader definition than, "Can I – how am I going to pay for it?" It's, "What am I going to produce by what I pay?" I think that, you know, I've said this in other settings, but I think great civilizations are not known for their tax rates. They're known for what they did. I can't think of any civilization where, you know, we remember them because how they tax people. We remember them for what they accomplished for their population. And I think that's the thing we need to keep in mind, "What are we trying to set about doing here?" I feel like – I mean I've been on the City Council for a long time. So what you're doing here, I mean, you should -- I feel like I've seen this before. I mean you need a black robe and a staff and, you know, proclaiming doom and gloom; or I feel like I'm on a Star Trek episode with Scotty saying, "The engine's going to blow and, you know, can I just get another dilithium crystal in here?" (Laughter) But at the same time – I thought it was dilithium crystals – but at the same time, I think that, you know, that you're warnings and concerns are well taken. The thing that concerns me most of all about the ability to sustain these increases is the threat of recession. And a number of years ago, I listened to -- I was a part of a discussion – actually, a political debate about County finances. And in the recession, there was a drop in the assessable tax base of the County, almost entirely due to a drop in the commercial tax base. Because assessments are so much higher than typically the value of any existing house -- not the new ones, but the ones that have been around for awhile -- and because they can only increase by 10% a year, you could have a recession; you could have an absolute flattening -- zero increase in property values -- for two or three years. And your assessment could still go up 10% a year because you're so far below. On the other hand, the commercial sector was able to come in and say, because of vacancies and declining rents, to get their property revalued; and the County saw, I think, in this very brief one-year period, about a $500 million drop in property values. And I said to people who had heard this discussion, "Have you seen any buildings fall down lately?" And the fact was, no buildings had fallen down; and, in fact, construction had actually continued in the County. And yet the assessable base in commercial property dropped by $500 million. It took years before the County recovered -- to the commercial property base -- to the level that it was before the collapse. And were we to hit a recession -- and I don't think this economy has somehow gone into the end of recessions -- I don't think we're in a new era where there are going to be no more recessions – I mean the threat of a recession to me is very real. And if a recession hits, with our tax rates kind of being maxed out in many departments, we're not going to have much flexibility to deal with shortfalls generated by a recession short of cutting programs and cutting staff. And so I think the more conservative and careful that we are with this budget while -- as I asked this morning – asking the County Executive and everybody to look carefully at what we do, the better off we're going to be in the long run. I think we need to take the approach that this simply cannot be an additive process. We've talked about, you know, 99% of the budget's set in stone; and we get to talk about what we're adding to it. I appreciate Councilmember Knapp's comments about actually going back to base zero; but we don't, you know, we don't have the tools yet to fully do that. We've got two OLO reports. The OLO report on the Fire and Rescue isn't really complete. It was Phase I; we're looking for Phase II. I think we need a year at least, and I think there needs to be a commitment to accelerate – certainly from the executives – an evaluation of how we deliver services to people. And are we doing it in the most effective way? Are the ways of eliminating the lack of – I won't say "cooperation" -- but lack of coordination sometimes between agencies to ensure that what we do, we do in the absolutely most effective way. I want to be able to honor labor contracts. I think that's critical. I think that it's also critical that if we have the flexibility or the ability to move positions around, we ought to do that. And I think that, you know, there ought to be more of an approach of, If I want to add a new service that comes as a response to evaluating what we're doing existing and being able to say that what we're doing isn't as effective as we thought it was going to be -- it doesn't generate the usage from the citizens that we thought it was going to generate -- so maybe we could stop doing this and do something else in its place. I think there's got to be more of an effort to do what we need to do from a workforce that's pretty much the workforce that we have right now; because it's gong to be very difficult to sustain these contracts on top of an ever, ever expanding workforce. You can't add five hundred people a year. You may be able to sustain the increases that we've put in this budget for this workforce; but it's going to be, I think, extraordinarily difficult to both maintain the labor agreements and maintain those labor agreements on top of adding three/four/five hundred people a year in future years. And so to me, this is like a major warning that we need to look very carefully at our service delivery process; and I think it's going to require a lot of hard work and tough decisions. And people are going to have to be able to say that we really need to do it differently, or this program really isn't delivering to us what we wanted delivered to us. So I will, you know, join Mr. Knapp and others in looking carefully at where we are and what the base should be and, you know, do we -- what can we do with this budget beyond simply saying Yes or No to what's added and new. But I really think that this has got to be an ongoing project -- and Ms. Praisner's comments this morning about, "This is not something you can do in a budget cycle." You can't do this in 37 days. This has to be a project of the Council that the Council takes on, you know, after the budget's done with a real thorough evaluation of the kind of work that the County government is doing. So I look forward to that kind of continuing evaluation of the County government. The last thing I have is just a question, and that's -- I understand the revenue projections are -- the last ones you want to do are in March; and that right after the budget gets done, then there'll be what the revenues actually were. And I guess my question is: What is the historic performance between the estimates of revenues in income tax versus the actual income tax collected? I mean, are we spot on? Do we overestimate? I doubt that because we'd be hearing about cutbacks in departments. So are we either on target, or how much under revenues do we traditionally estimate?

Steve Farber,
We can get some specific information on that. I do know that there have been a number of years in which the estimates have turned out to be low. The County is conservative in its revenue estimates on the premise -- I think the correct one -- that it's better be conservative than overly optimistic. But there have been years, in the early '90s and just four or five years ago, when the estimates actually were too high. As I mentioned, in fiscal year '03, our income tax revenue actually dropped 9.1% from fiscal year '02. That had a lot to do with the very severe problems that the last Council encountered in its first year. So it has cut both ways; but generally, it's a fair statement that the County is conservative in its revenue estimates.

Council President Praisner,
Marc, I think the point though is you need to relate this all together to when we do the total package evaluation of revenues, because we get income tax revenue multiple times during the year. The state reconciles it all at one point; but the other pieces of revenue that may not be as – well, they are as volatile as income tax maybe -- is transfer and recordation tax, which obviously is an ongoing issue. And also the one piece that's the most stable is property tax; but beyond that, each of the sources of revenue has different volatility and a different schedule associated with it. So you may see an increase in one, but a decrease in another; and the puts and takes are what they do twice a year only, which is when all of the putting of all the pieces together occurs. The other concern is, I guess I would comment on, is historical in that the question of where we are in our capacity is both subjective and an objective level from a standpoint of taxes and rates. Some of those we have control over, and obviously it's a guesstimate -- some of which are made for us by the state legislature and others. The year that the state legislature gave the counties the capacity to increase what was then called the "piggyback income tax" to go to the 60%, they also shifted the responsibility for Social Security for teachers to the counties in order to solve what was a $150-million-dollar problem. And I don't know how much Social Security costs us now, but it's a heck of a lot more than our piece of the $150 million in the past. So while they give us more capacity, they also gave us more obligations. So it's a question of where the capacity is as well and what the implications are of taking certain actions when you do them. Councilmember Berliner had a question that builds on yours if you don't mind – if you're done, Marc? Okay. Go ahead, Roger.

Councilmember Berliner,
Steve, in response to Councilmember Elrich's question with respect to whether or not we've been conservative or – conservative, I believe, with respect to our estimates -- and whether we've overestimated or under estimated, you indicated that it's gone both ways. I believe that that answer's a little disingenuous in this particular context, which is where we've seen income tax estimates go up

significantly. In that context – that is, from March going forward -- have you seen a situation where it is reversed; or should we expect that trend line, in fact, to continue?

Steve Farber,
Well, I think that's a little bit hard to predict. It is true that the predominant trend has been up – as I pointed out, there have been some years when it's been down.

Councilmember Berliner,
I'm sorry. But when you said that it has been down, I am asking whether it's been down from the March date down – after we have seen from November to March this kind of acceleration? Are you suggesting, in that context, that it is reasonable to expect that the trend would reverse itself or that it would continue on that path?

Steve Farber,
Well, I think it's unlikely to reverse itself; but, again, I think each year is a situation unto itself. And what we can do is get the data that would answer your question concretely so that you'll have a full answer. Mrs. Praisner mentioned transfer recordation tax revenue, and that's even more volatile than the income tax. For example, it's down in the '08 recommended budget 14.4 % from '07. And I remember last December, when we were doing spending affordability, there was more than a $50 million decline from what had been expected in transfer recordation tax revenue – not surprising, given what had happened to the housing market. And we still don't know whether we bottomed out there. But that's another example of a large -- although not nearly so large as the income tax -- revenue source in which we have a heck of a time predicting things. And, as I say, right now it's down almost as much in percentage terms as the income tax is up for '08.
Council President Praisner, 100
Councilmember Floreen.

Councilmember Floreen,
Thank you. I just want to make a couple of points. Most people have addressed the key issues. But I would like to request that we lose the term "sustainability" as we work through the budget, and I'd ask staff to take it out of their memos; and let's focus on the facts and the history and the objectives. You know, this Council – the past Council was incredibly conservative. I think we added a 6% reserve number. That has limited resources available to spend; and that was a good thing, but it was also a conservative thing. And I think the world should know – I think there's simply a battle between our staff and Mr. Firestein as to who is more conservative in advising –

Council Vice President Knapp,
No contest.

Councilmember Floreen,
-- Montgomery County government. And that's good for everyone because you are careful and you are attentive to the details and you worry about these things in the way that we need to be reminded to worry about after, you know, several evenings of listening to folks who'd like us to spend more money on their behalf but have not offered up any suggestions as to what tax we might raise or what program we might cut in someone else's bailiwick. I've just got to say, you know, the budget is a document full of assumptions. And just looking at circle 21, last year's budget assumed $90 million less in revenues than have actually -- are estimated as of this moment in time. The fiscal '08 recommended budget assumes $215 or so million dollars more than was -- we now estimate for '07, but really it's almost -- it's like $310 million as far as I can figure -- assumes revenues over what was assumed this time last year when we adopted a budget last May. That's a lot of money that came in that we worried about not having as we worked through the budget. I certainly agree these are – so I think it's important to understand that these are estimates. What we've discovered over the years is that if you ask hard questions about the assumptions, you can engage in a useful and productive and sometimes progressive dialogue that gets you to a point where you can continue to be conservative in your assumptions, but also progressive in your expenditures. So I find this all very interesting, but I don't think we should -- I certainly don't feel that we're -- we should be overwhelmed by doom and gloom, as Mr. Leventhal agrees. That's your job. Your job is to worry; and our job is to ask questions and look carefully at the numbers, keep an eye on the history, and focus on what this Council wants to fund and what it has challenges with funding. And then look at the revenue sources that are available to get us to those points. That's our job. Your job is to worry and to point out all the flaws in our thinking; and I hope you will continue to do that. But it was a big battle over the past four years to get us to focus on the previous year's – Council's previous year's budget and the changes that were being proposed to what the Council had adopted in the previous year. So I'm glad we're going to be focusing on the budget in that way this year. I think it helps for a good exchange and the usual spirited debate about the details. And I wanted to make one other comment about George's point, also about the Union negotiations. We don't negotiate those contracts. That's 80% of our budget; isn't that still the number? Or 79%?

Steve Farber,
The number for compensation is 80 %.

Councilmember Floreen,
80% compensation over which really we have no control. So that is the -- so to say to us that some of the existing budget is unsustainable is to really identify a situation over which this Council has had no opportunity to get engaged -- nor should we. It's a County Executive obligation. We expect those negotiations to be handled aggressively and responsibly by both sides. As far as I'm concerned,

though, a deal’s a deal unless there's a terrible crisis brewing where all the parties have been engaged. That happened four years ago; it doesn't look like it needs to happen this time around. And I think it's important to look at the big picture; and the big picture as we look at these estimates, some of which have been challenged – I know a lot of people say that the income tax projections are way low. I don't know; but they’re the numbers that we have to work with. The frustration here is that better numbers typically reveal themselves right after we have spent three weeks wrangling over a very modest number, which turns out to be fundable the next month. That creates some skepticism on behalf of Council members over what blood needs to really be shed based on the facts that we have. And I think – my personal view at least is, I think we would be better if we had more realistic numbers on a more regular basis. I know the practice that people like is that we get numbers twice, but our challenge is dealing with a reality and a fact-based reality that is pretty accurate. It tends to get pretty academic in this exchange over the total assumptions here. And so I’d just say that informs my view. It certainly has informed my experience over the past four years, and we’ll see how it works this time around; but I just have to say, the numbers here are not as foreboding, I think, as folks would suggest at this point in time. We’ll see. The devil’s in the details, isn’t it? Thanks.

Steve Farber,
Ms. Floreen, I'm happy to stop using the word “sustainable” and see if you can convince the County Executive to do the same.

Councilmember Floreen,
Well, that's his department. He can say “sustainable.” That’s – if we could, on our side, just focus on the details. Thanks.

Council President Praisner,
Well, Councilmember Floreen, I think each individual Council member has whatever authority or ability to use whatever term they want; and, personally, I like the word “sustainability.” Councilmember Andrews.

Councilmember Andrews,
I just wanted to as Ms. Floreen if she will drop using telling us things are "complicated." (Laughter)

Councilmember Floreen,
Okay. Deal.

Councilmember Trachtenberg,
She’ll substitute the word “complex.”

Council President Praisner,
Councilmember Andrews.

Councilmember Andrews,
Thanks. Steve Farber worries very well (laughing); I think for good reason. I certainly will continue to use the word “sustainable.” I use it in all my questionnaires. And when I’m asked whether I’ll vote to honor a contract, I always say, “Well, I’ll carefully review it; and if I conclude it’s fiscally sustainable, then I’ll support it.” And that, I think, is how I'm comfortable handling those. I think the capital gains volatility is something that hasn’t been mentioned yet. In 2001-2002 – or between 2002 and 2003, when the income tax fell off, it was because capital gains fell off sharply; and I wouldn't be surprised if a significant percent of the increase that we're seeing in this 19% rise in income tax receipts is capital gains revenues. Maybe we can get some sense of that. The stock market had a good year last year; people cashed out. That’s probably a substantial percentage –

Council President Praisner,
So did they make capital gains from land sales too?

Councilmember Andrews,
Probably. So I think it's good to separate that out; if we can get some data on that, I think that would be helpful. Maybe it exists. But that was what caused the dip last time, and it might repeat itself. I have to disagree with my colleague, Councilmember Floreen, about the uncontrollability of personnel costs. Personnel costs are totally within our control. We are the authority – fiscal authority on the budget. All collective bargaining agreements come to us for approval for funding items. Nothing gets funded unless we raise our hand and vote for it. Now, there's a lot of arm twisting that goes on to get us to do that; but it's up to us to either fund or to not fund the agreements. If we choose to reject them, we send them back; and the parties negotiate over what we didn’t fund. We can’t –

Council President Praisner,
We enter -- as it relates to County employees, we enter the collective bargaining process if we reject –

Councilmember Andrews,
Okay. But on the others – on the school contracts, for example -- if we were to reject it, it would go back to the School System; and the School System would come back with something different presumably. So as my colleagues have said, that’s where the money is. Those are the budgets. Once the contracts are decided, most of the budget is decided; and that is where the big decisions are made, although we spend most of our time on the other items in the budgets. But that is it. The Council's role is the role of the funding authority; and even if a

contract goes to binding arbitration, the arbitrator can't fund the contract. That's still up to the County Council. The Council has complete authority there. So as painful as it may be sometimes -- and we've had a lot of contracts come before the Council the last eight years. I've voted for most of them -- some enthusiastically, and some with some misgivings; but I felt they were overall reasonable and sustainable. And I voted against one a couple of years ago that I thought established terrible public policy, and that was the 20-year retirement provision for career firefighters which I think will come back to haunt us -- we will see repeated and asked for other contracts from other employees, such as the police, in the future. So I look at each one individually. I expect – like my colleague, George Leventhal, does -- that there will be hard bargaining. I don't always see it. And I make my judgment on an individual basis on each contract as to whether I think it's in the public interest. But the Council has complete authority on the budget; and that's the bottom line, which is why it's so important that we do it well. And my colleagues have very well expressed the challenge of looking at the whole budget during this window, as opposed to just looking at the new items in the budget. And we've beefed up our staff to look up, to review, to scrutinize the base budget -- which we are going to do a lot more of in the coming years, as we should; but our primary role is the funding role. And that is what we can do. We don't negotiate the contracts. We don't get into the details except, as Ms. Praisner said, if we reject one that's with County employees – but that's our role. And I think we don't want to diminish it. We are the end of the process; but the bucks stop here.

Steve Farber,
Mr. Andrews, with regard to capital gains revenue, I think your point is well taken. The stock market's been very strong the last several years; and what we find in Montgomery County compared to other counties is that when the stock market is strong, our income tax do relatively better. When the stock market is weak, we do relatively worse in income tax revenues. The Finance Department estimated several years ago that of all the capital gains in the country, 1% comes from Montgomery County. That would mean that it is about three times our proportionate share of the population of the country. And so capital gains revenue, up or down, is very important to us; and you're correct about that.

Council President Praisner,
Capital gains has been an interesting item for Montgomery County, of course; and obviously when the estimates come in, that's a difficult issue because it also affects different distributions more than others as well, as I recall with the income tax distribution. So you may see more of it in one distribution than another because folks who file capital gains often are folks who file late; and, therefore, their payments come at different times during the distribution. It's also important to note, as I recall, that the state bills its payments in the middle-of-the-year cycle, so to speak, based on the estimates from previous years and doesn't really reconcile the reality of the residents and the filing until a certain point in the process. So you may be looking good because last year it looked good; and

then, at a certain point in time, they say, “Whoops! Montgomery County numbers weren't as good as we thought.” Or they aren’t, and that's when the reconciliation occurs. So that's something else that I think we need to look -- I just want to comment that I have personally in the past urged that we do a full revenue analysis more than twice a year, and been fully briefed on what the implications of doing so are and why there is a concern in doing that -- again, because of the cycles of revenue. But I would suggest that the MFP Committee have that conversation -- since it's been a while since we had it -- with Finance and with OMB and with the Executive to have a better understanding of what might be involved and how we might use it. As you recall in the past when we – on occasion when we found that the revenues were greater than anticipated, it’s allowed us the capacity to respond to different initiatives that don’t come up during the budget necessarily – like the supplementals that we receive or the dam that might be problematic at a point or the rainstorms and the trees, etc. So there are a variety of things that happen during the year beyond the perspectives that might cause us to look at that cycle and look at what the implications are; but supplementals often are very nice, and that's what obviously is a piece of the Council’s request -- is to not only look at the base budget, but also to look at what happened with supplements during the year. They don’t stand the same kind of rigor, but they also do provide us some flexibility. Councilmember Elrich.

Councilmember Elrich,
I just wanted to comment quickly about some of the discussion about assumptions. I'm not adverse to reevaluating assumptions; what I don't want to do is to decide how much we want to spend and then just change the assumptions to meet our spending. We ought to have a firm discussion about what the assumptions are; and if we want to change our assumptions, change the assumptions and then decide what we want to spend based on the changed assumptions – but not work at this the other way.

Council President Praisner,
Very good point. Councilmember Trachtenbeg.

Councilmember Trachtenberg,
Well, I’ve been sitting here listening with great interest since this is my first budget season; and a lot of what's been said, I certainly agree with. I just want to make a point, though. I actually concur with the Council President about having a better sense, better pulse reading on resources because, I guess in my mind, so much of what we have to do over the next few weeks is really around priority setting. And I really believe that that is so strongly linked to not only having a sense of resources, but having a sense of going about those -- but also having an understanding of productivity and needs. And, obviously, we have different ways that we can make a judgment about that; but one of the things that I've been really quite amazed at and interested in, in the last few months since I’ve been here, is the fact that I actually think one of those areas that we’ve got to start focusing more on is really having the capability of making more accurate

judgments about productivity and needs. And I really believe that that's linked to a long-term investment into the area of technology; and I just wanted to put that on the table because I see that as something that I really want to focus on as the Chair of the MFP. So what I'm going to suggest to the Council President is I think we should have a conversation, perhaps in the autumn, within MFP to really start looking -- again, not only at the issue around having perhaps a more regular understanding of fiscal resources, but we also need to have that conversation about long-term investments in technology so that we really have all pieces in a more efficient manner.

Council President Praisner,
Okay. Well, that was a full conversation; and, I think, reflects what I've been saying about my eight colleagues since I've been out on the conversation circuit with folks -- that this is a very serious Council that takes very seriously its responsibilities, but is also – and, as a result of that, is asking very good questions and appears eager to go beyond what may be the preliminary or initial presentation of information as it relates to the budget. So, Councilmember Knapp, I think we're growing a group that wants to look beyond the surface of the onion; and we can continue to peel. In order to do that, we're going to have to – as I reminded my colleagues in our memo, the memo on the budget -- I hope that the committees will identify, as you review budgets, issues for broader deliberation from a base budget perspective or a more in-depth perspective – maybe not necessarily base budget in the way we referred to it in the past. But I guess that means a full fall as well as the spring. So thank you very much. We have scheduled – we're over time, half an hour, but we've scheduled a discussion now on the resolution for the GASB requirements, the post-employment benefits issues. We had started some of this conversation with the County Executive, and I had asked the CAO as well as the Finance Director, Jennifer Barrett, to be here. I just want to make note of the fact that, because of obligations out of the County, I actually should be in the car right now. So I'm going to try to hold to the noon recess if at all possible; so I would appreciate my colleagues' support and indulgence on that personal complexity. Councilmember Trachtenbeg and then Councilmember Leventhal.

Councilmember Trachtenberg,
Again, just some brief remarks. I've learned in my politicking that less is more; but I've also learned in budget preparation, that's the case as well. I want to make six points about this resolution and the five-year funding schedule that we discussed, as Council President Praisner suggested, earlier this morning. You know, I think it's important to note that this particular plan was negotiated -- and that was really starting over four years ago -- so this is not something, clearly, that's new to many of the folks that are sitting here. It's my estimation -- and I've heard this before from other folks as well -- that this is not conservative since there has been a zero investment already put aside; and, again, I think that's another thing to note, that our benefit obligations here in this County are far greater than those in other jurisdictions. And that is simply a fact of life; but it's

clearly based on our commitment to our employees, and it's something, again, that we can't minimize the importance of. I think it's important to stick to the plan that has been agreed upon because, in my mind – and, again, I've heard this from other folks --it ensures the continuation of the Triple A bond rating that we have been very fortunate to secure over the years. We can certainly revisit this and other items if the fiscal environment changes for the better or the worse -- in other words, there is some flexibility here -- and I know that was a question that was posed by our Vice President and by Councilmember Berliner. And, again, that was discussed in some detail earlier with the Executive. But the point is that we had made a commitment to the five-year phase-in; and for a lot of reasons it would of benefit, certainly, to stay with that. And I would just respectfully submit to my colleagues that we stick to the plan and that we work collectively over the course of the next few years to monitor our fiscal conditions, weighing both our obligations and our options. And that's it in a nutshell. I would prefer to go up to New York at the end of the week, securing the support of the Council to produce what the expectation already is for. And, again, I would just ask that we consider the fact that this is something that really we did make a commitment to, for the most part, in conversation over the course of the last few years -- at least some of us did sitting here. And I'm prepared to make that commitment as a new member of the Council.

Council President Praisner,
Councilmember Leventhal

Councilmember Leventhal,
I have some real concerns about some of the vocabulary that's being used here; and I have some real reservations about voting for this resolution. So I appreciate the Council President’s time constraints, and I’m hungry; and so I would like to get out of here by noon. First of all, the word “negotiation” has been used by my friend, the Chair of the MFP Committee; and it’s also used in the County Executive’s memo. And my understanding of what occurred is that we knew that this accounting expectation existed on a national level – that the Government Accounting Standings Board had promulgated this edict -- and that Fitch and Standard and Poor’s and Moody’s are very interested in what all public entities are doing to comply. And so we have told them we plan to comply. That's my understanding. Very different from what I spoke about a few moments ago insofar as what I would expect in negotiating employee pay and benefits, where you have two parties with very different perspectives really getting down to brass tacks and working through a very complex set of assumptions and ultimately reaching an agreement. I don’t think there was any negotiation here at all; and so the word “negotiating” and the County Executive’s word -- with great respect to the County Executive -- that he cautions us in his memo against “unilaterally" changing something that has been negotiated, I don’t think is actually descriptive of what has taken place here. So “unilaterally” implies that we're not acting in good faith -- that we're somehow letting someone down; and I don't think that's correct. I don’t think that’s an accurate characterization of how we got to the

place where we are now. I think it's very, very interesting that Prince George's County -- and I'm not suggesting that we follow their course -- has come to a ten-year agreement. I'm not suggesting we go to a ten-year agreement. But I just – I would like to demystify this interaction that our well-managed, stable, wealthy, growing, successful County has with these rating houses -- these financial advisors who back up our bonds. If there’s a way to demystify that, I’d like to try to do that. I’m not saying that – I mean, of course we are a well-managed county, and that's the reason we do have a Triple A rating; so certainly we will, and I have every confidence -- we should, and I have every confidence that we will, maintain that rating; and we will continue to be well-managed. But some of the dialogue that I’m hearing suggests that these rating houses are, you know, scaring us or threatening us or giving us some sort of a warning. Now, I understand there have been times where we and other counties are sometimes put on watch, but I just don't sense that the interaction with the rating houses is as tentative or tenuous or threatening or treacherous as some of the conversation here would indicate. So that's my first point. My second point is, you know, I think we can afford $31.9 million set aside in the budget before us now. I think $187.7 million is going to be extraordinary; and for us to put in place a five-year plan now, knowing that we’re comfortable we can meet year one, causes me some concern. I was very impressed with Mr. Elrich’s eloquence a little while ago, and I love this phrase that a great civilization is not judged by its tax rate. I don’t know if that’s original to Mr. Elrich or not; I thoroughly intend to steal it. (Laughter) You know we, as a County, have promised to the people we represent a number of multiyear initiatives. We’ve promised that we’re going to make basic healthcare available to every uninsured resident who seeks it. We've promised that we are going to eliminate portable classrooms over a multiyear period. We’ve promised that we are going to eliminate homelessness in Montgomery County. Now, it’s too early to judge how we’re doing on the first two pledges. We’ve failed on the third pledge; we’ve not made progress on eliminating homelessness. So now we’re embarking upon a five-year pledge to set aside a substantial reserve to meet obligations to retiree pensions and healthcare – which we should do, and I support that goal. Is that pledge more binding? Does that pledge take precedence? Is that pledge more compelling than the pledge to provide basic healthcare or the pledge to eliminate portable classrooms or the pledge to eliminate homelessness? And that's the question I would put to my colleagues. We haven't put any binding measures on ourselves to meet these other pledges, and so I just have reservations. I want to hear how the rest of this conversation plays out; but I'm not in a comfort zone right now.

Council President Praisner,
I just want to make one clarification because I don't think you meant it the way you said. The bond rating agencies do not back our bonds; our investors back our bonds, and you used the word “back.” What the bond agencies do is rate our bonds; and the question is -- what the interest we will pay on those is a function of both the rating and the folks’ who buy our bonds confidence in them, but not the bond rating agencies’ backing because they don't back our bonds –

Councilmember Leventhal,
Right.

Council President Praisner,
-- in a financial way. They evaluate the credit worthiness of us, but they aren't really backing our bonds.

Councilmember Leventhal,
Well, I appreciate the clarification. I mean, what the bond rating houses do is they send a signal that they have confidence –

Council President Praisner,
Correct.

Councilmember Leventhal,
-- that Montgomery County is capable –

Council President Praisner,
-- of paying those bonds.

Councilmember Leventhal,
-- of paying the bonds. So I appreciate the clarification; but, again, my point is simply that we have an important relationship with these bond rating houses; but the excellent credit rating that we get is based on the strength that we bring to the table as a well-managed and successful County. And the interaction that I was able to observe with the bond rating houses was not in any way something that should make us – should instill fear in our hearts. This is a great County. We're a County of substantial resources, and we're going to continue to be a successful and well-managed County.

Council President Praisner,
Comment? You want to comment?

Tim Firestine
Yeah, I'll comment. Just a couple of comments in reaction. First of all I would – nobody's trying to put the rating agencies out there as the – sort of "the bad guy" – the sort of "disciplinarian" that keeps us in line. We've chosen, in this County, to say we want to pay the lowest rates possible on our debt; and to do that, you have to retain the highest rating from the rating agencies. The County has chosen that for 34 years -- longer than any other county in this country except one, and that's Westchester County, New York. So for 34 years we've done what it has taken to sustain that – which is a pretty good record. There are only nine

counties, out of three thousand counties in this country, that have a Triple A rating from all three rating agencies; that's nine. There are a couple more smaller counties that we don't include in the count because they are smaller; those nine are all with populations greater than 750,000. Now, you can choose to do whatever you want. I mean, you know, if you want to be rated the same as Prince George's County, that's okay; I mean, that's a choice you make and you're going to pay more interest. We did a calculation, How much have we saved over 34 years at a high rating? It's about $3-4 hundred million dollars, which is a lot of capital facilities we were able to create because we could do that within our debt capacity. So, you know, it's a choice you make. Now, I don't think you want to be the Council that loses it either, after 34 years, because, you know, that's not a good record to break. In terms of the negotiation, one of the things we have is because we've had this for 34 years, we're sort of a benchmark – we're a spotlight that the rating agencies hold up nationally; and I do mean that. And I think even in a conversation we had last year when you were there, one of the rating agencies noted some comments that they had made about our fiscal planning that they use when they go out and meet with other counties that want to know how to do it. So we are – we're under a spotlight. So that's part of the challenge here is the fact that you got into the spotlight on this subject four years ago; and it wasn't because of something -- you know, I'd love to take credit for it -- but Mr. Farber and Mrs. Praisner jumped out ahead on this issue. When GASB had this thing called "the exposure draft" out there, it wasn't even finalized. I mean, you guys jumped on it and you said, "you know, we've got to pay attention to this, because this is a huge liability." And, you know, we did all the work. We did an early evaluation on this in 2003 to get a sense of how big is the liability. And, you know, I think we were proud of the fact when we went to the rating agencies; we said, "This is where we are." And so we started setting the standard early; and they use that in a lot of their write-ups. They've talked about Montgomery County. As a matter of fact, we sat down with Fitch and helped them create their first document on this subject; and I remember those conversations where we started from the framework of, "Well, why would you pay it all in one year.?" I mean, you know, that's the annual required contribution. And so we said, "There's no way." I mean, you know, there's -- our liability is $2 billion dollars. We just – you know, Montgomery County, as highly rated as we are and as great an economy as we've got, we can't afford that. And so we started talking about – I threw out the approach of a phase-in to the arc; and that started to enter into the language of the rating agencies – was that, "Okay. It might be all right to do a phase-in." And then we started talking about, "Well, what's the right amount?" We said three years; we started on the three-year side because in the accounting industry you can sort of carry a liability for three years without having to -- you can still accept it as liability without having to record it as if it actually occurred. In other words, if you owe somebody something and they haven't paid you for three years, you can still say they owe you; after three years, you've got to book it as if you're never going to get it. So we started at three years; but we knew in looking at the numbers for three years that that was going to be tough to make, so we pushed it to five. The first draft report that Fitch wrote, they suggested five years; that was in their report. Now, the final report which they published – which was the first report on this subject -- they took the five years out; and part of it was because they knew that lower-rated counties are not going to be able to meet a five-year schedule if they've got to provide police services and fire services. So they took that out; and if you look at that report, they even note that we helped them draft that. So in conferences that I attended, I got invited to with the rating agencies. Last year I went to an investors conference where they had several hundred investors there. The investors were angry because they said, "If this liability's been out there for all those years, how come you haven't dinged those counties that haven't done anything about it?" And so they said, yeah, but, you know, they're proposing to solve this issue. So that's four years worth of discussions about what we're going to do; and all along we talked about five years, but we never started. Baltimore County, for example, they've known this liability's out there as long as we have. They started funding it last year. They've got $169 million set aside in their trust fund, and they're looking at a four- to five-year timeframe. If you look at other Triple A counties, here's the other way we stand out. I would venture to guess we have the largest liability of any of the nine Triple A counties in this area; it's $2.6 billion. I don't think any of the others are going to come close; the closest is Baltimore County because they're at like $2.3/$2.4 (billion). So you look at some of the other Triple A counties, some of them don't have anything. I was talking to Prince William County – who's a triple Triple A – they just got their Triple A rating; and they have no liability in this area because they don't provide a post-retirement health benefit. So when we say "negotiated," that's what we mean; that's the context that it's put in. Now Mr. Leventhal – he was great; you went to one meeting; but what happens is, this is a relationship that develops over time. And I can say right now that, "Okay. If you go to seven years, you're not going to lose your Triple A rating." I'll tell you that right now. But what happens is, the next time we've got a bind -- and say it's in two years -- and we go back to the rating agencies and we say, "Help us through this"; they're going to say, "Well, now, I don't know. I mean the last time you said five years. You said that's what you were going to do; you didn't do that. Maybe we're going to downgrade you." And this can happen. I was telling somebody a story about the state of Tennessee. And this is a fact; the state of Tennessee was a Triple-A rated state for a long time. And about three or four years ago, the state legislature couldn't pass an income tax. Now, you know, they didn't have an income tax for all those years. All of a sudden they could not pass an income tax; they got downgraded. All right? And you say, "Well, what triggered it?" Well, you know, there was probably a number of things that happened that led up to that point where finally the rating agencies – just to make a point, and they can do this -- they downgrade you. Westchester County – who I said has had the rating longer than us – two years ago, they had a situation with their hospital there. I don't know if you remember this, but their hospital was in big trouble. They took on the debt for the hospital, and then they struggled to make the debt payments. And they went on a negative watch for a downgrade; and, you know, there was a little cheer here because we were sort of hoping, you know, that could happen. But because of the relationship that they managed, they managed through that. So, I guess, with that as a backdrop, when we say “negotiated,” what we mean is we’ve spent lot of time working through this with them. They’ve used us as an example other places. So if we go back to them and we say, “Seven years, six years,” they're going to say, “Well, what changed? What’s different about that?” And we'll explain that there's something different. The problem is in two or three years, if you're faced with situation where you want to adjust the schedule again, you've used that chit. I mean you’ve already made the adjustment once; and they’re going to say, “Okay. Now you went back and adjusted the schedule again.” And when we use the term “unilaterally,” all Mr. Leggett is saying is that he means you can't change it without a possible negative consequence. That’s all he means -- is that if you make this change, it could have a negative impact because the rating agencies are not going to look at it favorably. That's the background; that’s what we mean by “negotiated.” That's what we mean by “unilaterally.”

Council President Praisner,
Councilmember Leventhal, your light is still on.

Councilmember Leventhal,
Well, just very briefly. I guess, I don't know that it's possible, in the macro sense, to articulate all of the goals that we have as a County because there are so many – from Fire and Rescue response to Library service to dozens and dozens of others. But I don't know -- and I know we are subject here to external forces, but we’re subject to external forces in many cases -- how I would rate this, how I would rank this obligation against some of the other goals that I’ve articulated, and there are others that I haven’t articulated. So if we’re going to tie ourselves down, in a multiyear sense, by resolution -- running some risk in years two, three, four and five of having to revise that resolution -- are we now going to offer all kinds of resolutions on all kinds of other worthy goals that we think are equally or even more important as a matter of public policy? So I just hope – and I’m not going to offer such resolutions – but I just hope that if we hold ourselves to this over the next five years, with all the attendant pain and need to cut other services that’s going to occur – that with respect to the goals that I have articulated, that this Council, I believe has – "the" County Council – perhaps a predecessor Council – has committed itself to the elimination of portable classrooms, the provision of basic healthcare, and at least making some progress on eliminating homelessness – those are three I can think of, other councilmembers probably have others -- that we will hold ourselves to those goals – that we will be just as serious about those goals. And that this Gatsby requirement – which I’m not questioning the importance of -- does not eliminate our ability to make progress on those other goals.

Council President Praisner,

April 10, 2007

Councilmember Berliner

Councilmember Berliner,
As my colleagues on the MPF Committee recall, I expressed grave reservations with respect to this schedule in our committee hearing. And at the time, I was advised that, “This was a hand that's already been played, Councilmember Berliner, and commitments have been made.” And I think, Mr. Firestine, that you have articulated the context in which those “commitments” have been made. And I appreciate your clarification that one could make modifications now without, in your professional judgment, jeopardizing the Triple A bond rating – because I don't think there's anybody up here that necessarily wants to do that. So I think it’s somewhat of a false choice, that this is not the choice the Council’s making. The choice the Council’s making is whether or not one can retain the Triple A bond rating with alternative approaches to this very serious issue and one that we want to take very seriously. I believe that this is a relatively conservative approach, as you and I have discussed; and I am prepared to support it in the first year based on the commitment that I heard the County Executive make to this body this morning in our meeting -- in which that he would come back to us, this year, with options that we can be looking at in order to ensure that in year two – should the pain be too great -- or in year three, that we are in a position to understand what our options are. I'm not inclined to support a change now because I think we do need to be careful about making a change; and when we do so, I think it ought to be a serious and comprehensive change. Because I don't think the only options are five, seven, nine. As you and I have discussed, other counties are doing a lot of different things – creative things – that reduce the costs, some of which you may believe are too aggressive and not prudent. But I believe that we should have all of those options before us, and that the County Executive and that you should report back to us with respect to those options in the time timeframe that would allow us, in second year, to assess whether or not we need to make a fundamental modification so that we only have that conversation, as you say, once as opposed to twice or three times -- because then our credibility is at stake. But I am uncomfortable with this approach. I’m prepared to support it now with that important caveat and commitment that I believe the County Executive and you have made.

Tim Firestine,
Right. And just to elaborate, I think you’re absolutely – it certainly is worth listening to what else is going on. You know, there are other governments now across the country facing the same issue you are; and if somebody comes up with a creative, acceptable approach -- certainly. I mean, I think it’s worth considering. And there are some out there, and you should hear about them; if you don’t hear from us, you’ll hear from others who will try to sell them to you. But it’s certainly worth going through that. We don’t have a problem with that at all.

Councilmember Berliner,

And I would simply observe, Mr. Firestine, that there were a lot of people that were eager to be first in things like electricity deregulation. That didn’t serve people very well – to be first. So it may not ultimately have served us to be first with respect to promoting this. I appreciate it came out of a sense of responsibility, and an important sense of responsibility, but –

Tim Firestine,
It also gives us more time -- we’ll also be able to see where everybody else has come out – you know, what they’ve done. You know -- What’s been accepted? How have they arranged their payment schedule? How big is their liability? I think you'll have more information, too.

Councilmember Berliner,
I appreciate that. Thank you.

Council President Praisner,
Councilmember Floreen.

Councilmember Floreen,
Thank you. I have a question. It really is on – it's on your earlier memo, Steve, about the Overview of the Budget - on page 8, where you do discuss this item, Prefunding Retiree Health Expenses. And you said -- you gave us the numbers for a five-year plan; and then you said, "a new actuarial evaluation or plan design could change this month." What does that mean?

Steve Farber,
Well, as Mr. Firestine mentioned, we actually have had two actuarial evaluations of this Retiree Health Insurance Obligation. The first was done three years ago, and the second was done this past year. And the second one actually showed a larger obligation – a substantially larger one. And what I mean by this is that we are likely to have further actuarial evaluations in the future to make sure we understand exactly whether or not the obligation has changed, and that can go up or down. They tend to go up if health costs continue to rise the way they have been rising; but certainly we will be having further evaluations in the future. As to plan design, as Mr. Firestine indicated, Prince William County is one example of a jurisdiction that doesn't have a problem of this kind because it doesn't provide retiree health benefits. There are a number of other jurisdictions around the country that do provide such benefits, but not in the way that we do. And around the country -- for example, in some western states, there's already been a decision made to change the benefit structure. In Anne Arundel County last year, what they did was to say that instead of your being eligible after five years of service for the County, you must have fifteen years of service with the County to get any premium sharing by the County. So all around the country, as Mr. Firestine suggested, we’re beginning to see people come to grips with these issues; and there are changes being made of different kinds all over the country.

And over the next year or two, we'll have a much better sense as to what decisions people are making.

Councilmember Floreen,
Well, that's interesting; but what about us? I mean, are you proposing that we might look at another plan design?

Steve Farber,
That, around here, is a subject for collective bargaining.

Councilmember Floreen,
Right.

Tim Firestine,
And recall those issues were deferred in this round of negotiations until this fall.

Councilmember Floreen,
So that's on the table.

Tim Firestine
All the health benefits, all the retirement issues were deferred till the fall for police and MCGEO, and then we're in full bargaining with fire. So, you know, that would be a subject –

Councilmember Floreen,
So this is something that is going to continue to be a conversation. So then we don't know if these numbers are going to even be close to this.

Council President Praisner,
If it's based on – it's an actuarial based on what exists right now.

Councilmember Floreen,
Well, right – yeah. But if we're so close this fall to negotiation over some of the significant contributors –

Tim Firestine,
Well, I have to stop just for a minute. The liability, as it's calculated now, really relates to people who have retired; and the unions don't negotiate for the employees who have retired. So that's a big piece of this. The other piece is those who are actively employed now; so negotiations could have an effect on that. And the employees who, quite frankly, you'll probably focus on are the ones who haven't been hired yet; they're not in the evaluation. And what I mean by that is the last time you, as a Council, made a change to the retiree health benefit – which was a major change -- was in the '90s; and you did it for employees who were coming on after a point in time – for only new employees. So what I'm

saying is, This valuation reflects a large group of employees that you can't change – unless you want to take on the retirees.

Councilmember Floreen,
And what you're saying is that it's a snapshot as of this point?

Tim Firestine,
That's right.

Councilmember Floreen,
And these numbers, naturally, will evolve – what's the program -- are there annual valuations?

Tim Firestine,
Has been required to do it every two years; we're probably going to try to do it every year.

Councilmember Floreen,
Every year. So and that would affect -- is that tied into this plan, so that every year –

Tim Firestine,
Every year. -- the number would be based on a national valuation as of that -- Yes. For financial reporting purposes, as I said, they only require you do it every two years; but, as I said, we're going to do it every year just to make sure we have – we need those numbers for the annual financial report. So you'll get an updated valuation every year – like we do – as we do with the retirement program.
Councilmember Floreen,
So like so much of this, these numbers are good faith estimates based on the information we have at our hands right now.

Steve Farber,
They are a snapshot in time, as Mrs. Praisner said.

Councilmember Floreen,
Yeah.

Council President Praisner,
Based on the benefits we have now, the healthcare cost projections have increased –

Councilmember Floreen,
Right. Gotcha.

Council President Praisner,

Healthcare costs and –

Councilmember Floreen,
The other question I had had – last week, I guess -- was a comparison of the other jurisdictions. And I'd also asked for what would – what the numbers would be under a six- or seven-year plan scenario. On circle 51, you gave us some information. Are the counties in the top on this page all the Triple A counties?

Tim Firestine,
Right. Those are the other triple Triple A counties.

Councilmember Floreen,
There's another one that just came on – William. Prince William?

Council President Praisner,
They have no benefits –

Tim Firestine,
These are the ones that are larger than 750,000 in population.

Councilmember Floreen,
Okay -- that meet that criteria.

Tim Firestine,
Prince William is a triple Triple A, but they're smaller. So is Howard County.

Councilmember Floreen,
So what this chart says is that there is -- of all of these, there's only one sort of in our ballpark?
Tim Firestine,
There's some that are still doing their valuations.

Councilmember Floreen,
They're still figuring it out?

Tim Firestine,
Right. But if you read the notes, I think in a lot of those cases the impact's going to be minimal because the benefit looks minimal. I mean –

Councilmember Floreen,
They have different systems, obviously.

Tim Firestine,
They have far lower –

Councilmember Floreen,

They have less exposure.

Tim Firestine,
Right.

Councilmember Floreen,
And the one that has a comparable exposure apparently is Baltimore County.

Tim Firestine,
Baltimore, right.

Councilmember Floreen,
So it's not like there is a tidal wave of counties in our situation who have adopted one solution or another?

Tim Firestine,
But it's not an issue for them because they don’t have the liability.

Councilmember Floreen,
Right. Exactly. So it's not like we're dealing with a large collection of comparably-sized jurisdictions who are acting in lock step. Because they’re not – don’t have the same obligations. They have all negotiated other responsibilities -- with the possible exception of Baltimore County that appears to have more or less similar mechanisms in place. Right?

Council President Praisner,
No. They've already – started the prefunding process.

Councilmember Floreen,
Yes, right. I understand that. But the point is – what they’ve done – they’ve done what they’ve done, and they’re comparable to us. But of the others out there -- there's nobody apparently in our shoes -- besides Baltimore.

Tim Firestine,
And I guess the only point to that is that's what's makes us stand out even more as this being an issue for Montgomery County as a Triple A rated, because what they’re looking at is you're looking at County with a $2.6 billion long-term obligation that we have done nothing about. And now you're talking about how much are you going to set aside to cover that? The others don't have that liability; so they have more capacity to issue debt for other things. We don’t, because we’ve got to spend money on a liability we haven’t set any money aside for.

Councilmember Floreen,
Well, and that's why we're here –

Tim Firestine,
Right.

Councilmember Floreen,
-- to agree on a plan. Now, we get to weigh in as to whatever conversations you've had with folks as to how to the County's going to proceed. And I guess I share our concerns of my colleagues. And I think I'm actually most concerned about now is the colloquy that just occurred with respect to whether this is actually a plan or not. I mean, Mr. Berliner asked, “Well, I'm okay with five years as long as we can look at maybe changing it based on better information at a later point.” I think that's what I heard; and you said, “Yes.”

Tim Firestine,
No. What I said was, “Mr. Berliner has heard of other things that other counties have been doing, perhaps lower-rated counties. That county he referred to is actually a Double A+. So there are other things out there. For example, some counties have actually borrowed and set money aside. They've issued OPEC bonds. Now, there are good and bad aspects to that which we can talk about. There are proposals out there to issue life insurance as a way to sort of deal with some of this. So there are a number of approaches that are being suggested; some jurisdictions have done that. You should hear about those, and they might influence an approach you take; they might not. You might come to a conclusion that they're not a good idea; but they're things you should hear about. I think the other point we're trying to make is that if we are in a dire situation two years from now because we have a recession that none of us anticipate in the fiscal projections -- but you've seen a hole already for two years from now -- if that gets worse and for some reason we have to adjust the schedule, or what we're seeing is it becomes an accepted fact that you can go with a longer schedule -- then we'll be back, and we'll make adjustments. And we can make the argument, if we're in a dire situation, to the rating agencies to adjust the schedule.
Councilmember Floreen,
But you already said that the really the only comparable jurisdiction is Baltimore, and they've taken care of it. So what's the likelihood – we're not going to see a comparably-sized jurisdiction with a comparably-sized obligation changing it's plan; because it's plan has been resolved, apparently. Right? Right?

Tim Firestine,
Well, I think –

Councilmember Floreen,
I'm trying to understand –

Tim Firestine,
I understand.

Councilmember Floreen,

-- what you're asking us to agree to. If you're saying, “Well, if a better idea comes along and everyone agrees, we'll do that -- I don't think that's what you're proposing. I think you want us to say five years, that's it; and it will be wrapped into the budget and, frankly, we won’t see it again because that’s how the numbers are calculated. Right?

Council President Praisner,
I don’t think that’s what the County Executive said this morning.

Councilmember Floreen,
Well, I know. And I don't see how this is supposed to work.

Tim Firestine,
People are clear about it. We’ve committed to five years. That's what we've been talking about. That’s what the Council has helped us to come to closure on; that was the five years – and when I say “Council,” it was the MFP Committee that talked about it. We’ve presented that to the rating agencies. What we’re saying is five years is what you should approve today. To the extent that things can change down the road -- if there is something that happens out there that would affect us financially, as it does with anything we do – we could go back to the rating agencies and make the argument that we need to adjust.

Council President Praisner,
Tim, I don’t think that’s actually what the County Executive said this morning; and that’s what, I think, has some Council members confused. My understanding is that the Council is -- or at least I hear a majority of Council members -- willing to approve a five-year funding schedule at this point in time with an understanding from the Executive, and from you, that we will continue to evaluate and reevaluate this issue, especially given fiscal challenges that we know are coming and additional information that we may receive from other jurisdictions or from this process. And if nothing surfaces that is viable or if the crisis is not as bad or all of these issues occurred, they will be things that we can talk about and will continue to talk about. But I think the County Executive made a stronger commitment to continue to review and evaluate this issue.

Tim Firestine,
Well, and I apologize if I'm not coming across that way. I certainly agree with that.

Council President Praisner,
And it is with that understanding that I think Council members –

Tim Firestine,
I have no problem with that.

Council President Praisner,

-- or at least from what I've heard -- the majority of Council members may be willing to support that resolution this morning.

Tim Firestine,
Fine.

Councilmember Floreen,
Well, and –

Council President Praisner,
And you have no problem with that?

Tim Firestine,
Well, I agree with that. If I’m not saying it as eloquently as you just did, I do second that.

Councilmember Floreen,
Well, my issue here is, What does that mean exactly? Does that mean we will have this conversation every year for five years – a resolution to approve the funding plan for the County agencies’ annual required contribution, and we’ll have this exchange? Is that what you’re going to tell the bonding agencies? I think you’re going to tell them the Council has agreed to a plan, and this is what the plan is – and we’ll go on to everything else. Not that we will – it’s a plan subject to revisitation every year. Could you clarify?

Tim Firestine,
I think it's exactly what Mrs. Praisner described; and that’s the way we’ll present it to the rating agencies.

Councilmember Floreen,
And what's you're definition of what Mrs. Praisner has described?

Council President Praisner,
Well since, Ms. Floreen, Mrs. Praisner can speak for herself and will speak for herself at the bond rating agencies, I will say exactly what I said a minute ago. If we are allowed to vote on this, and I am allowed to vote on this this morning -- because I am now 15 minutes late from an obligation, I apologize. But my point is, I will say to the bond rating agencies, as I'm sure the Chair of the MFP Committee will say, that we have done a lot of work; we know that there is still more work to do; we continue to monitor and evaluate this issue. Our goal is a five-year plan, but we are also going to continue to look at the variety of other jurisdictions and how they may consider this issue. We also know that there are fiscal challenges ahead for all of us, and we don't know what the state may do

with its issues. But just as we have asked the agencies to continue to review the benefit side of this, we will continue to review the payment side of this.

Councilmember Floreen,
Well, okay. I understand that, and I wish you well in your exchange. I'd like to make a motion because I know you do have to leave. I'd like to propose that you tell them that the Council is going to support a seven-year plan; that will be it. We won’t revisit it; but we will be committed to stretching out the numbers in a predictable fashion. So that’s my motion

Unidentified Speaker
Second.

Council President Praisner,
Okay. It's been moved and seconded that we change the resolution to identify a seven-year plan. Unless Council members -- the two light that are on, that you want to speak to the amendment, or do you want to speak overall? I'd like, if possible, to have you do both so that we can vote. Mr. Andrews.

Councilmember Andrews,
Thank you. I'll speak against the motion. The County stands out for three reasons: One, we’ve been Triple A a long time. Two, we’ve got the largest liability in this area – as Mr. Firestine talked about -- which is self-inflicted, not imposed by others; but added to regular decisions made by the Council here in the next week or two when the Council likely approves a twenty-year retirement bill for firefighters we'll add to that liability because that’ll be another five years of retired health benefits for those people that take advantage of that. Third, we’re one of the first of the counties to talk about this and plan for it; but we haven't actually funded it yet, in contrast to others that have already gone forward with the funding – like Baltimore County in the state of Maryland. So that's why we stand out, and it will be noticed if we change course suddenly in order to have more money to spend on something else we prefer to spend money on. Clearly we can afford to do this because no one is proposing that that money will be saved and put in the reserve. So that's why it's important to go forward with the five-year funding plan, and I think we should reject the amendment and support the MFP proposal for those reasons.

Council President Praisner,
Praisner Council Vice President Knapp.

Council Vice President Knapp,
Thank you, Madam President. I also – I’m opposed to the amendment, and I appreciate the explanation that Mr. Firestine made earlier. And I apologize I was not participating in the discussion this morning. The reality is that 80% of our budget is people; we just talked about that before. And we’ve made a contractual

commitment to those people who work for the County, and this is just a recognition of that commitment. So it's not like this is something that's out there. We take care of our people, and this is us showing a commitment to do that. And if we've seen nothing over the last five years in the corporate – and certain government worlds where that has gone awry, very badly awry -- I think we want to show people that we have a full faith and credit to address this commitment very clearly to everyone. I think this plan will ultimately – to Mr. Leventhal's point earlier -- help us achieve a number of our other objectives because it'll actually keep us more viable and will actually allow us to borrow money at a lower cost, which I think is going to be important. One of the things I think you're seeing here, though, reflects back to what Mrs. Praisner said earlier – which is, I think you have a very serious Council who wants to understand these pieces and how they work. And I'm not necessarily sure that was always the case. And so I think something that we're going to need to continue to focus on is to have a measure of communication on issues like this – not necessarily just with a commitment -- to have a way that that comes back to the full Council so people understand, kind of, the dialogue. And I know that that's not necessarily something that everybody's going to want to do all of the time. But I think it – for something of this magnitude, I think that element of communication -- while I understand there was a lot of back and forth for the last four years, I'm not sure that many of necessarily knew all of the details that were back and forth -- and all of a sudden you've got a $32 million knot that we've got to try and figure out how to address. And so I think that's going to be important for us to do. But I think when you are a leader, you can't necessarily look to other communities or other organizations to find the answer. We actually have to kind of go out there first and be a leader and say, "This is a plan; this is how you do it." And we may have different alternatives as we know more, as others know more, as we have other – as we're buffeted by the various budgetary winds that may hit us over the course of the next couple of years, and we can have that dialogue. But I think that's what's going to be important for us -- to have an open line of communication so that we know clearly what the rating agencies are indicating to us once we've done this, and that as we see other things coming on the horizon, we have ready access to have that dialogue with them and continue to build that negotiation and have that relationship. And I think that's going to be very important. So while I appreciate the concerns of my leagues and I think they were well stated, I think it's important for us to do this now, recognizing that it sets the wheels in motion for a good plan; but I think that we need to continue to have -- to learn and have an open dialogue and understand how changes may impacts us in the future.

Council President Praisner,
Okay, the motion before us -- and I appreciate my colleagues' indulgence -- the motion before us is to amend the resolution to change the five to seven years. All in favor of that motion, please indicate by raising your right hand. (Show of hands) Councilmembers Ervin, Floreen, and Leventhal. All those opposed?

(Show of hands) Councilmembers Elrich, Trachtenberg, Andrews, Berliner, Knapp, and Praisner. The motion fails -- the amendment fails. The resolution is before us. All in favor of adopting the resolution? (Show of hands) Councilmembers Elrich, Trachtenberg, Andrews, Berliner, Knapp, and Praisner. The motion carries. Those opposed? (Show of hands) Councilmembers Leventhal, Floreen, and Ervin. The motion carries six to three. We are adjourned until this afternoon’s 1:30 public hearings which will be moderated by Council Vice President Knapp. Thank you all very much.

TRANSCRIPT
April 10, 2007

MONTGOMERY COUNTY COUNCIL

Marilyn Praisner, President
Phil Andrews
Roger Berliner
Marc Elrich
Valerie Ervin
Nancy Floreen
Mike Knapp, Vice President
George Leventhal
Duchy Trachtenberg

Council Vice President Knapp,
(Laughing) We're all here. Agenda Item Number 8. This is a Public Hearing on a Resolution to establish a FY08 Water Quality Protection Charge to be effective July 1, 2007. A Transportation and Environment Committee worksession is tentatively scheduled for April 12, 2007, at 9:30 a.m. The record will close at the conclusion of the hearing. There are no speakers. Agenda Item Number 9. This is a Public Hearing on a Resolution to amend the Annual Fee for enforcement of Special Exceptions to be effective July 1, 2007. A Planning, Housing and Economic Development Committee worksession is tentatively scheduled for April 24, 2007, at 2 p.m. Additional material for the Council's consideration should be submitted by the close of business Friday, April 13th. 2007. There are no speakers. Agenda Item Number 10. This is a Public Hearing on a Supplemental appropriation to the Montgomery County Public Schools' FY07 Operating Budget - $792,922 for State School Improvement and $5,500,000 for the Provision for Future Supported Projects. An Education Committee worksession is tentatively scheduled for April 12, 2007, at 2 p.m. The record will close at the conclusion of the hearing. There are no speakers. Agenda Item Number 11 is a Public Hearing on the Supplemental appropriations to County Government's FY07 Capital Budget of the County Executive - $73,000 for the Silver Spring Civic Building, $144,000 for the Silver Spring Redevelopment Program, and $988,000 for the Wheaton Redevelopment Program. Also the Recreation Department - $1,204,000 for the North Potomac Recreation Center; and the Department of Public Works and Transportation - $418,000 for the Montrose Parkway East. The committee worksession dates are listed on today's agenda. Excuse me. The record will close at the conclusion of the hearing. There are no speakers. And our final Public Hearing, Agenda Item Number 12. This is a Public Hearing on a Supplemental appropriation to the Maryland National Capital Park and Planning Commission's Capital Budget - $468,000 for the Wheaton Tennis Bubble Renovation. A Planning, Housing and Economic Development Committee worksession is tentatively scheduled for April 16, 2007, at 2:30 p.m. The record will close at the conclusion of the hearing. We have one speaker, Mr. Dave Pullen. Before beginning your presentation, please state your name clearly for the record. Push the button right in front of you. Thank you.

Dave Pullen
Thank you. My name is Dave Pullen, and I live at 2232 Deckman Lane, Silver Spring, Maryland. I'm here representing the Montgomery County Tennis Association as its executive director. Thank you for the opportunity to appear before the Council today in support of the M-NCPPC request for supplemental appropriation to the FY07 capital budget to undertake the renovation of Wheaton Indoor Tennis Facility. As you know, this project was approved by the County Council last year. We understand the PHED Committee will conduct a hearing on this appropriation request next week. In the interest of time today, M-NCPPC will defer more detailed comments on the matter until that time. Fundamentally, however, we wanted to come forward today and make sure that you understand our clear support for this request. Public investment in indoor tennis continues to make sense for the County. Tennis players pay their own way and have been a consistent source of net operating profit to the Enterprise Division for more than fifteen consecutive years. Demand for indoor court time continues to rise, and we find

we must site a substantial number of our league matches at facilities outside of Montgomery County. We need the Wheaton Indoor Tennis Renovation to move forward in a timely way, and are pleased that both M-NCPPC and County Executive Leggett agree that this is appropriate. We ask that the County Council approve the pending supplemental appropriation request and by so doing, hit the service space that allows Wheaton Indoor Tennis facility to be restored to serviceable condition by winter 2007. Thank you.

Council Vice President Knapp,
Thank you very much. There are no questions. This concludes this Public Hearing. Thank you very much, and the Council stands in recess until this evening at 7 p.m. when we will resume our public budget hearings.